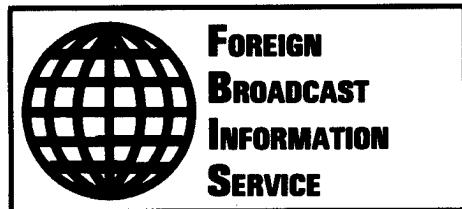
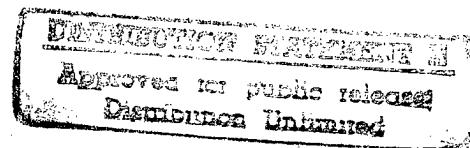


12 April 1993



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Clinton Foreign Policy To Have 'Continuity'

93CM0209A Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 47, 13 Jan 93 pp 1-5

[Article by Pan Tongwen (3382 0681 2429): "U.S. 1992 Presidential Election and Trend of Clinton Administration's Policies"]

[Excerpts] The main reasons for Clinton's victory were: the voters were dissatisfied with America's economic situation, had lost confidence in Bush, and demanded change.

After Clinton comes to power he will, first of all, emphasize the solution of domestic problems, particularly the economic problems. There will not be a clear change in his foreign policy, but in it there will be different points of emphasis: emphasis on first vigorously developing America's economy before playing America's role in world leadership; emphasis on supporting democracy and human rights; emphasis on paying more attention to the role of the United Nations and other multilateral organizations; emphasis on maintaining a powerful military force, which must be flexible and mobile; and emphasis on being more pro-Israel. [passage omitted]

V. Trend of Clinton's Foreign Policy

There will not be a clear change in the Clinton administration's foreign policy and it will display a very large measure of continuity, but in it there will be different points of emphasis. Of course, if a major change occurs in the world situation, there will also be a major adjustment in Clinton's foreign policy.

The main points of emphasis in Clinton's foreign policy will be:

A. Emphasis on First Vigorously Developing America's Economy Before Playing America's Role in World Leadership

Clinton thinks that, because the Cold War has ended, there needs to be a completely new focus in America's foreign policy, and this must begin with a rejuvenation of America's economy. He stresses that "in this new period the chief focal points of our foreign policy and domestic policy are one, are the same, namely, the rejuvenation of our economy," and "if the people do not domestically rebuild this country's economic strength, we will no longer be a superpower" and will be unable to play our role in world leadership. By putting such stress one the close relationship between economic and foreign affairs, Clinton obviously is very different from Bush. Clinton also thinks that "America's economic interests should become the main focal points of attention in foreign policy." He has promised to open wide foreign markets and that his administration will pass a super Article 301 that will be "tougher and harsher" than Article 301 of the trade bill annulled in 1990. This shows that Clinton is inclined toward trade protectionism and will take a tough stand on trade. It can be envisaged that, on

economic and trade issues, the Clinton administration's contradictions with other countries will increase.

B. Emphasis on Supporting Democracy and Human Rights Will Be Core of America's Foreign Policy

During the election campaign Clinton criticized the Bush administration for, in order to preserve world stability, not supporting "democratic reform movements" in various parts of the world, including the former Soviet Union and China. He emphasized the support of democratic reform in all countries, and that this support "is neither by liberals nor conservatives, neither by Democrats nor Republicans, but is America's profound and lasting tradition." He asserted that "foreign policy in the post-Cold War era must reflect the value concepts of America's historic democracy and humanitarianism." America's Democratic Party has always been more inclined than its Republican Party to pursue foreign policy on the basis of so-called "moral standards." In the seventies the Carter administration practiced a so-called "human rights diplomacy." It looks like Clinton plans in the nineties to practice a "democratic, human rights diplomacy." One need not be reticent about saying that the spearhead of Clinton's "democratic, human rights diplomacy" will be aimed at the countries in which the communist party wields power and at the countries of the Third World, with the objective of transforming the world in accord with America's value outlook. But this diplomacy definitely will not work and will meet opposition, because, just as Theodore Sorenson, President Kennedy's national security adviser, pointed out in an article in the autumn 1992 issue of the American quarterly FOREIGN AFFAIRS, America "has no way to make the whole world move in line with its intent." He thinks that the pursuit of human rights and democracy "is not the sole criterion for America's formulation of its foreign policy." He advises that America's "new president must, in the process of pursuing human rights and democracy, keep to a proper measure in doing so."

C. Emphasis on Collective Participation by Paying More Attention to Role of United Nations and Other Multilateral Organizations

More than Bush, Clinton supports the establishment of a UN "rapid deployment force" to deal with international crises and to resolve regional conflicts. He favors the idea of some countries jointly participating in the resolution of a regional conflict, but says that if they cannot do so then America should do it single-handedly.

D. Emphasis on Maintaining a Powerful Military Force, But Making It Flexible and Mobile

Clinton has indicated that he will propose a multiyear defense budget; will cut more military expenditure than Bush; and will reduce the scale of America's armed forces, making them flexible and mobile. At the same time he will ensure that America has the most powerful

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military force in the world, and will maintain America's military presence in various parts of the world and its ties with allied nations.

E. More Pro-Israel

Clinton has opposed Bush's refusal to give Israel a \$10 billion loan because Israel builds civilian settlements in its occupied areas, and has stressed that Israel is America's only friend in the Middle East. He favors the

continuance of the Middle East peace talks, but says they must be carried out under the condition that Israel's military superiority is ensured.

In addition, more than Bush, Clinton advocates further arms control and prevention of nuclear proliferation, a comprehensive ban on nuclear tests, as well more attention to the global environmental protection issue.

NATIONAL AFFAIRS, POLICY

Price Reform: Status, Achievements, Recommendations

93CE0346A Beijing ZHONGGUO SHUIWU BAO
in Chinese 4, 8, 11 Feb 93

[Articles by Chen Jianzhong (7115 1696 0022) and Niu Wenkui (3662 2429 7608): "Summary of Chinese Price Reform Parts I, II, III"]

[4 Feb 93 p 1]

[Text] As an observant consumer presently strolling around the market might discover, the price tags on most merchandise are green, a few are blue, and very few are red. But I am afraid that very few people know that the color of the price tag represents the nature of pricing. The green price tag indicates that the price of that merchandise conforms to the market and can be set by the manager himself. For merchandise sold in the free market and in individual stalls, both the buyer and the seller can bargain and merchandise prices are no longer frozen. These changes are closely linked to the reform and opening up of the last fourteen years, especially price reforms.

Under the traditional planned economic system, prices were set by a unified state system and the prices of several commodities often were not able to be promptly adjusted in accordance with the production and market situation. Chinese agricultural product and basic industrial product prices were comparatively low and those of processing industry products were comparatively high and the "scissors differential" in industrial and agricultural product prices was constantly expanding, and a low price policy was always adopted especially for public utilities in society. We were not able to make ends meet and for a long time we were unable to achieve development. Price distortions severely curtailed development of the entire national economy and for a long time society was troubled by a shortage of commodities.

The Third Plenum of the Eleventh Party Central Committee in 1978 sounded the call to reform the economic system and gradually introduced this "invisible hand" of the market and, based on price adjustments, gradually freed up controls on commodity prices. From here price reform entered a historic stage.

To speed up the development of agricultural production, the State Council decided, beginning in 1979, to greatly increase the purchase price for eighteen major agricultural products and byproducts, including grains, cotton, and oils, with an average price rise of 25.7 percent. Among these, grains, cotton, and oils rose 30.5 percent, 25 percent, and 38.7 percent, respectively. From 1979 through 1981, peasants increased their incomes by approximately 20.4 billion yuan from price rises, giving strong impetus to the development of agricultural production. But after 1984, inflation of retail industry product prices in rural markets was rather great and the "scissor differential" in industrial and agricultural product prices further expanded. To curb this tendency

as quickly as possible, the state in three successive years, 1987, 1988, and 1989, raised the fixed purchasing price for cereals and the purchasing price for some edible oils, and stabilized agricultural production. To reduce the state financial burden, in May 1991, the State Council centralized distribution raised the unified selling price for grains and oils that had not been adjusted in 25 years. [The prices of] wheat, husked rice, and corn were raised 0.20 yuan a kilogram, an increase of as much as 68 percent. The purchasing and selling prices for six types of edible oils, including peanut oil and soybean oil, were the same, a 170 percent increase, thereby causing the prices of all agricultural products to make great strides toward orderliness. In 1992 the state once again raised the fixed purchasing prices for three unprocessed food grains, wheat, paddy, and corn, an average of 18 percent and correspondingly raised the unified cereals selling price, thereby making the cereals purchasing and selling prices the same. Implementation of these major price reform measures gave huge impetus to the development of Chinese agricultural production and even the entire national economy. Several provinces have already totally freed agricultural product prices.

Since the founding of the country, Chinese extraction industry and natural resource industry prices have always been low and processing industry prices have been high, creating disparities in profit levels and an inequity in hardships and advantages among sectors, industries, and enterprises, seriously affecting the development of the national economy. To correct this situation, the State Council decided in 1979 to first resolve the problem with low coal prices, raising the average coal producer price of unified central planning coal mines by 32 percent. In July 1992, the state totally freed guiding plan and directed coal prices and abolished upper price limits on coal outside the plan and price increases on excessive increases in production. Following that, they also freed all coal prices in the Xuzhou and Zaozhuang mining offices, thereby putting 140 million tons of unified planning coal on the market. From 1979 through 1984, the state successively raised the producer prices of such mining products and raw materials as iron ore, coking coal, pig iron, steel ingot, billet, some steel products, nonferrous metals, cement, and plate glass. At the same time, it lowered the prices on such processing industry products as automobiles, general use machinery and parts, instruments and meters, measuring tools, and cutting tools, reducing the price differentials between extraction and raw material industry products and processing industry products. Beginning in September 1989, the state also successively raised the prices of such energy and major raw material products as crude oil, coal, electric power, metallurgy, nonferrous metals, and crude salt. These measures alleviated the contradiction of unreasonable price relations in heavy industry to a certain extent and made prices gradually more reasonable.

Transportation is a strategic key to economic development. With the approval of the State Council, beginning 1 August 1982, short-distance transportation prices have

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been appropriately raised, and at the same time, water transport prices have been adjusted and port fee calculation methods have been revised, gradually improving the unreasonable transportation price and port fee calculation situation. In September 1989, the state also greatly increased passenger ticket prices in the transportation industry. Rail lines went up by 112 percent, water lines by 96 percent, airlines by 77 percent, and long-distance highway by 60 percent. In March 1990, water line and rail line freight transport prices were simultaneously raised by 29 percent. In July of that same year, domestic postage also was greatly increased. These measures gave important impetus to the development of the transportation and communications infrastructure.

Before reform, the prices of daily use industry consumer products were controlled too rigidly and were characterized by a lack of adaptability to their numerous varieties and rapid changes. With this situation in mind, in the first stage of reform, the state adjusted the prices of several unreasonably priced daily use consumer products up or down. In a planned manner they lowered the prices of several products such as synthetic fiber products, imported watches, television sets, plastic products, and medicines, and raised the prices on such products as thermos bottles, some paper, leather goods, and tobacco and alcoholic drinks. In recent years, with the rise in the prices of such basic industry products as energy and raw materials, in order to maintain the essential stability of overall market prices, through the unified distribution of the State Council, the prices of such daily use industry consumer products as crude salt, cotton textiles, washing powder, soap, and fuels for civilian use were raised one after the other.

In the past fourteen years, while the state has adjusted prices in a planned manner, it also has actively promoted reform of the price control system to establish and improve the pricing operating mechanisms in accordance with the principles and demands of the market economy. Before reform, prices essentially were centrally determined by the state alone. In reform through the gradual introduction of market mechanisms freeing and enlivening the prices of a large group of commodities, three basic types of prices were formed, state fixed prices, state guided prices, and market adjusted prices, and the proportion of state fixed prices was reduced and the proportion of market adjusted prices was clearly expanded. From 1978 through 1991, in society's total retail commodity sales and society's total agricultural product and byproduct purchases and total means of production sales, the proportion of government fixed prices was reduced from 97 percent, 94.4 percent, and 99.9 percent to 20.9 percent, 22.2 percent, and 36 percent, respectively. The rest were essentially freed for market adjustment. In 1992, to establish pricing mechanisms to adapt to the demands of the socialist market economy as fast as possible, they again freed state fixed prices on a large scale. State controlled means of production and transportation prices were reduced to 89 from 373 in 1991, and 33 of these were state fixed prices and 56 were state guided prices. State purchasing prices for

agricultural products were reduced to 10 from the former 17. Six of these were state fixed and four were state guided. More than 840 counties and municipalities have freed fixed grain and oil purchasing prices and unified selling prices. Light and textile industry [state controlled] prices have been reduced to 9 from the former 41. (Only six of these are state fixed.) According to estimates of society's total retail commodity sales at the end of 1992, the proportion of state fixed prices was reduced from 20.9 percent in 1991 to approximately 10 percent and the proportion of prices mainly formed by the market rose from 79.1 percent in 1991 to approximately 90 percent. As of now, operating mechanisms to guide prices by the market are essentially formed.

[8 Feb 93 p 1]

[Text]In fourteen years of price reform, China's price structure has clearly improved and we have begun to form operating mechanisms to use the market economy to direct prices. Price reforms have given strong impetus to the development of the national economy and improvement in the people's living standards, encouraging the people to convert to a consumer consciousness.

Agriculture Product Price Reforms Have Achieved Remarkable Results

From beginning to end, China has given an important position to price reforms on agricultural products, especially cereals. In the past fourteen years, price relations between agricultural products and industrial products have gradually become more reasonable. Comparing 1991 to 1978, agriculture product purchasing prices have risen 168.9 percent, for an annual average increase of 8.1 percent. In the same time period, rural industry retail sales prices have only increased by 77.4 percent. Among agricultural products, price relations of different varieties have improved. The prices of low-priced cereals increased by 224.5 percent between 1978 and 1991, 55.6 percentage points higher than the average agricultural product purchase price increase. To respond to the demands of the market economy, in 1991 and 1992, the state twice raised the unified selling prices on grains and oils, achieving the same prices for grain and oil purchases and sales, thereby greatly reducing the burden on state finances. In 1991 grain and oil subsidies were reduced by as much as 13 billion yuan.

Because of the rather large increase in the purchasing price of agricultural products and byproducts, peasant income increased a great deal. In 1991 total per capita peasant household income was 1,046.1 yuan, an increase of 151.79 yuan or 589 percent over 1978. Discounting the factor of inflation, it increased by 300 percent. Approximately 40 percent of that was increased income because of increased production and approximately 60 percent was increased income because of increases in the purchase prices of agricultural products and byproducts.

Reform of Industrial Product Prices Promotes Development of Basic Industries

In fourteen years of price reforms, especially in the last few years, the dynamics of state price adjustments has been inclined toward basic industry products, thereby causing the situation of low basic industry product prices and high processing industry prices to change greatly. From 1979 through 1984, total extraction industry, raw material industry, and processing industry prices have increased by 49.9 percent, 28.8 percent, and 11 percent, respectively, progressively reducing the amount of price increases. From 1985 through 1989, under strong attack from inflation, total extraction industry, raw materials industry, and processing industry prices increased 55.9 percent, 68.4 percent, and 73.3 percent, respectively, and price relations among industrial products began to worsen. After 1989 the state, by successive large increases in basic industry industrial product prices, quickly turned around the price relations among industrial products. In 1990 extraction industry, raw materials industry, and processing industry prices rose 7.9 percent, 5.9 percent, and 2.5 percent, respectively. In 1991 prices of the three rose 12.8 percent, 11.8 percent, and 3.8 percent, respectively. Price relations among industrial products once again became more reasonable, giving strong impetus to the development of basic industries. Between 1978 and 1991, crude oil, coal, and steel production increased by 131 percent, 171.8 percent, and 121.1 percent, respectively.

Lives of Urban and Rural Residents Are Clearly Improved by Price Adjustments and Reforms

From the beginning, Chinese price reforms have been carried out in a planned way, giving consideration to the interests of the state, enterprises, and individuals and fully considering the endurance of the people. So, in price reforms the standards of living of urban and rural residents not only have not fallen, they have rather greatly improved.

In 1991 the national urban resident per capita living expense income was 1,544 yuan, an increase of 389 percent over 1978 and an average annual increase of 27.8 percent. Total worker living expense prices increased by 234 percent, an average annual rise of 16.7 percent. The national rural resident net per capita income in 1991 was 708.6 yuan, an increase of 133.6 yuan or 430 percent over 1978 and an average annual increase of 30.7 percent, and total rural retail sales prices increased by 201.3 percent, an average annual increase of only 14.4 percent.

Increased income has caused the standards of living of urban and rural residents to constantly improve. In 1991 the national urban resident household per capita expenditure was 1,454 yuan, an increase of 118.6 percent over 1981 or an average annual increase of 10.8 percent. While levels of consumption were steadily improving, residential household consumption make up was achieving great improvement, developing diversity, individuality, and quality. Per capita peasant living expenses were 620 yuan in 1991, an increase of 434 percent over 1978 or an average annual increase of 31 percent. Discounting the inflation factor, consumption levels

actually rose 16.6 percent. In recent years, with the further increases in the cereal fixed purchasing price and the rapid development of rural enterprises, peasants' standard of living also has greatly improved.

Price Reforms Have Encouraged the People To Convert to Consumer Thinking

In the traditional pricing system, from south to north the same item had the same price and people became accustomed to buying various daily use consumer products based on the price tag and it appeared that once a commodity's price was set it would not change.

In 1979 China opened the prelude to price reform. Because the masses were bound by traditional consumption customs, when they were faced with constantly increasing prices, there was a general feeling of panic and confusion. This complicated state of mind finally exploded in 1988 in a wave of panic buying sweeping the nation.

In the third quarter of 1988, price reform unexpectedly led confused consumers with no alternative to buy things to maintain their desires. Whether they had an urgent need or not, whenever people saw things they bought them. In several areas such valuable commodities as gold jewelry disappeared all at once and the sale of such durable consumer items as color televisions, refrigerators, and washing machines were several times or even several tens of times the normal annual sales volume, and sales prices increased each month at a rate of 300 or 400 yuan. Some commodities that had greater production than sales and were overstocked, such as electric fans, tape recorders, sewing machines, non-name brand bicycles, also generally sold briskly. Even electric fans that did not rotate and were not guaranteed became hot items.

In the panic buying craze, people expected that the prices of the commodities that they were panic buying would further increase. But the result was just the opposite of what they wanted. The prices of the commodities that they panic bought in a period of time all went down a great deal. The vast number of consumers learned from reality. After more than ten years of prices rising and falling, especially the baptism of the 1988 panic buying craze, the vast number of consumers have learned to look on the price increases that price reform brings with a reasonable eye. People have discovered that increases in the price of a certain commodity in the short run can truly lead to a shortage of that commodity, but after a consumption cycle, the price could moderate and the source of goods could become abundant. Consumers faced with price increases have learned not to be frightened by the changing situation and no longer to protect themselves by such negative means as purchasing things, but to increase their income by such means as starting a second job and purchasing bonds, thereby counteracting the unfavorable affects that price increases have on their lives.

[11 Feb 93 p 1]

[Text] In the more than ten years that China has been practicing price reform, we have accumulated several successful experiences and we have set off on a path of price reform with Chinese characteristics.

Price Reform Must Be Both Active and Reliable

Now, the main goal of China's price reform is to establish as quickly as possible a pricing system that is suited to the market economy. Whether this process succeeds or not is directly related to progress in reform and opening up.

In China the national treasury still is not entirely out of trouble and cannot easily be used to give price reform more support. Downstream product production enterprises have reached the limits of their tolerance of upstream product price increases. The living standards of those who are eating "imperial grain" [living off the state] is falling into relative decline. These unfavorable elements have determined that Chinese price reforms cannot take too great strides and even more cannot reach the mark in one step. In recent years, internationally because a few countries such as the former Soviet Union moved too fast in conducting price reforms, it led to skyrocketing prices and social unrest. This provided us with profound negative lessons.

China's price reforms, because they have adopted ordered and gradual methods, generally speaking have been successful. Especially cereal price reforms, beginning with the initial 1979 increase in the purchasing prices, over fourteen years have gradually reached the mark and by 1992 the whole country had implemented the same prices for purchases and sales. No social turmoil occurred and its level of stability greatly exceeded the expectations of government officials and economists.

Certainly, China's present price structure still is not totally ideal. The prices for such basic industry products as petroleum, electric power, and coal, and public utility products are still low and do not totally match up with international market pricing systems, which is not favorable to further strengthening basic industry development and participation in international market competition.

In the future, Chinese price reforms, based on steady progress, must strengthen overall control to maintain an essential balance in society's overall supply and overall demand. In implementing major price reform measures, we must take fully into consideration the ability of the state, enterprises, and the masses to endure them.

Price Reforms Should Fit With Other Economic Reforms

Price reforms are an important component of reform of the entire economic system and must conform with such aspects of reform as planning, finances, tax revenue, and wages.

In the past few years, state fixed prices have not changed, but the forms of state planning controls on some means of production have changed, producing a situation where

state price controls on these means of production are not what they say they are. In the future, price reforms on these important means of production should be synchronized with reform of control systems.

Price reforms can reduce state treasury price subsidies, but they cannot totally eliminate them. This has been proven in fourteen years of Chinese price reform practice. From 1991 through 1992, China twice greatly increased the unified selling price for cereals and it did not cause great market fluctuations, the main reason being that the state in a rather difficult financial situation still gave the residents appropriate price subsidies and won the understanding and support of the broad masses. For a rather long period of time, the tolerance of the masses for price rises has been rather low. Future price reforms still require that the treasury give the necessary support.

Tax revenue acts as a lever to control the national economy and has a different function than price adjustments. With the prices of the vast majority of commodities freed, prices and tax revenue should be used in coordination and be complementary.

Wage reforms have a certain compensatory function for price rises. During periods of concentrated price adjustments and rather large price increases, wages should be raised correspondingly.

Price Reforms Should Have Conversion of Pricing Operating Mechanisms at the Core

Chinese price reforms in the early period and the middle period emphasized adjusting prices. In recent years they have converted to large scale freeing of prices. Because the market is complicated and changes frequently, the policy makers' decisions often fall short. So, state fixed prices cannot fully reflect market supply and demands. For example, the state fixed price for color televisions in 1988 was much lower than the market price, but since 1989 it has been much higher than the market price. In 1989 and 1990, the state twice adjusted the prices of cotton textiles, but never arrived at the actual price. This type of pricing system directly adjusted by the state and not determined by the market is rather greatly divergent from the subjective changes of the market. Therefore, for a time it causes the return of unreasonable price relations and makes the state fixed price on commodities with one item and multiple prices extremely chaotic.

Future price reforms will continue to emphasize freeing prices. With the exception of a very few commodities related to the national economy and the people's livelihood, such as petroleum and electric power, where the state will still set the price and promptly adjust it in accordance with the production and the market situations, the vast majority of prices should be freed and adjusted by the market. Presently the state directly sets 33 means of production prices and transportation fees. That is still too many. It should free some more.

Price Reforms Should Establish and Perfect a Price Control System That Suits the Market Economy

More than ten years of Chinese price reform experience has shown that if we want to establish market directed pricing mechanisms, we must correspondingly establish a price control system that suits the market.

In fourteen years of price reforms, China has freed up a group of commodity prices on a large scale, but because we have not found new effective methods of control, production is too slipshod. In the last few years, when prices rose too fast directly leading to inflation, the government sector was caught unawares and was forced to return to the old ways of using administrative directives to force down prices. In recent years, the central government and localities have successively freed a large group of commodity prices, but they still need to explore more effective means to control them in accordance with the demands of the market economy.

Based on the common practice of countries that have a developed market economy and China's actual situation, China should establish a price control system guided by market prices, with legal means as a yardstick and supplemented by administrative means. The state should establish special price funds for important commodities related to the national economy and the people's livelihood to be given to producers and managers as subsidies and to keep prices down. We should establish a strong commodity reserve system relying on a large group of strong enterprise groups to take in and put out commodities and adjust the supply. We should promptly formulate relevant laws and fair price competition and oppose monopolies, and in extraordinary periods of economic development, we should directly control the prices of some commodities through promulgating temporary regulations and administrative directives.

Article Notes Excess Fixed Asset Investment

93CE0306A Beijing JINRONG SHIBAO in Chinese
1 Feb 93 p 1

[Article by Wang Jizhou (3769 3444 3166): "Fixed Asset Investments: Where Are the Problem Spots?"]

[Text] The average citizen must live within his means and keep to his budget, and similarly in dealing with capital construction, we must be practical and realistic and act within our capability. Last year, the nation's investment in fixed assets overheated, and we clearly spent more than what we could afford. This trend has attracted much attention and has become a focal point of debate.

From the point of economics, capital construction is the "driving force" behind a nation's economic development. Without this driving force, it will be difficult to improve the economic prospects of a nation, region, or enterprise. The fact that Shandong has been able to sustain economic prosperity in the last few years is a good example. According to Wang Jianing [3769 1696 0080], president of Construction Bank in Shandong, the

province's capital construction and enterprise technological transformation had not been interrupted during the period of rectification and improvement, and in recent years long-term investments have been increasing steadily at a rate of between 31.6 percent and 36 percent. Investments by the state, the province, and various social sectors in transportation, telecommunications, energy, and other basic industries have become a model for and the envy of the whole nation. With this kind of real strength, Shandong's total output value increased nearly 17 percent last year, with industrial output value increasing by as much as 31 percent. In 1992, the nation's economic growth clearly accelerated, and to a large extent, such growth was pulled by the demand for capital construction.

Yet, from a different perspective, the law of economics also warns us that we must keep capital construction within our means. Take the period 1984 to 1988 for instance. Due to certain errors in guiding principle, we lost control over capital construction, and coupled with some other factors, the economy overheated which eventually led to runaway inflation, forcing us to go through a round of rectification and improvement.

Excess capital construction for years has been a stubborn, unresolved problem. The phenomenon is caused by many complex reasons, some of which we have not yet sorted out. But it will be wrong to ignore the fact that China's investment system basically has not changed over the years and simply tackle the problem by analyzing the proportion of investment funds from different sources. Based on a survey in several localities, the input of bank funds in capital construction is still within the range set by state plans.

People have noticed that today's overheated investment in fixed assets in many ways resembles the situation in the eighties: The investments are large in scale and broad in scope; many projects are underway or started at the same time; investments in transformation and upgrading are inadequate and scattered. But some things have changed in last year's overheated investment, and the changes have caused serious macroeconomic regulation and control problems, especially for the banks.

First, the number of investment entities has increased and the power to make investment decisions has become even more decentralized, making it difficult for banks to set an upper limit. While the number of the original investment entities has been increasing rapidly, new investment entities in the form of township enterprises and the three types of wholly and partially foreign-owned enterprises have been increasing even faster. For example, last year, Beijing Municipality approved more projects introduced by the three types of wholly and partially foreign-owned enterprises than it had in the previous 10 years put together. The power to make investment decisions has generally been handed down to the lower levels, and some provinces have explicitly given counties the right to approve projects worth under 30 million yuan.

Second, there are diverse channels for raising capital, making it difficult for banks to keep the money under

control. In the past, capital construction and technological transformation had depended mainly on indirect fund raising, but this changed dramatically last year. For example, specialized banks in a certain large city along the Changjiang River saw a 150 million yuan decline in the increase in savings deposits but the issuance of various types of investment bonds increased by 600 million yuan. It is estimated that 3 billion yuan was gathered through different social channels in Tianjin last year. Today, banks only issue two types of financial bonds directly, but governments at all levels, departments, and enterprises have many more types of investment bonds.

Third, fixed asset investments have greatly diversified, making it difficult for banks to intervene. In the past, most fixed asset investments were in energy, transportation, communications and other major infrastructure as well as in basic industries and enterprise technological transformations. In the wake of the rapid development of the tertiary industry, demand for investment in real estate development, installation of commercial outlets, urban renewal and other new projects has soared. For instance, last year, a certain province required that banks set aside 700 million yuan out of their 1 billion additional loan funds for the installation of commercial outlets in the province and even specifically apportioned the amount to different specialized banks. In addition, many projects deliberately leave fund shortfalls which eventually must be made up by diverting some circulating funds to fixed asset investment.

Due to the combination of old and new factors, the current trend of fixed asset investment will continue for one of two years or even longer. If effective control and regulation measures are not taken at the macroeconomic level, it will have a detrimental effect on the nation's effort to adjust the industrial structure, on the installation of the system of market economy, and in particular, on the effort to stave off inflation.

In China, banks are part of the institution responsible for macro regulation and control. Today, their ability to strengthen the nation's macro regulation and control over the economy is nevertheless limited. To solve this problem, the state, governments at all levels, and enterprises must consider the effectiveness of their fixed asset investments and pay attention to adjusting the mix of investments and reduce inefficient, redundant projects. They need to develop basic industries, emphasize investment return, and properly handle the relationship between immediate and long-term benefits and local and overall profits. They must pay even more attention to overall balance and continue to study new situations as they emerge after every new investment to avoid destabilizing the economy.

Fixed asset investment is like a "double-edged sword." If used properly, it can be very effective; but if it is misused, it can maim. We have seen the signs last year; we can no longer ignore those signs.

PROVINCIAL

Guangzhou Ranks Third Among Top 50 Cities
93CE0323C *Guangzhou NANFANG RIBAO* in Chinese
15 Feb 93 p 2

[Article: "Guangzhou Ranks Third Among Top 50 Cities"]

[Text] Guangzhou's economy raced ahead across the board in 1992, over-fulfilling all the leading economic and social development indicators. For the year as a whole, gross output value reached 46.7 billion yuan and income hit 29.95 billion yuan, up 16 percent and 17 percent, respectively. According to State Statistics Bureau tabulations, Guangzhou now ranks third among the top 50 cities in the nation in terms of overall economic strength, behind Shanghai and Beijing.

According to reports, Guangzhou's gross value of industrial output and sales amounted to 6.7 billion yuan and 64.49 billion yuan in 1992, up 24.7 percent and 23 percent, respectively, over a year ago. The rate of industrial goods sold was 97 percent. The gross value of agricultural output amounted to 4.77 billion yuan, up 7 percent over a year ago. The gross output value and gross incomes of township and town enterprises were 14.83 billion yuan and 17.34 billion yuan, respectively, up 34.7 percent and 34.83 percent over a year ago. Exports by the municipality-owned foreign trade sector amounted to \$2.45 billion and the amount of foreign capital actually used was \$729 million, up 33 percent and 93 percent, respectively, over 1991. Deposits in all financial institutions at year end stood at 80 billion yuan, 27.04 billion yuan more than the beginning of the year. Deposits exceeded loans by 25.38 billion yuan and a net 10.95 billion yuan in currency was withdrawn from circulation. The real per capita net income among peasants was 2,000 yuan, up 15.2 percent over a year ago. The average wage of workers in state-owned enterprises owned by the whole people was 4,788 yuan, an increase of 18.46 percent. Living expenses of urban residents averaged 3,818.9 yuan, up 31.42 percent over a year ago.

Shenyang Reacts to Land-Use Rights for Foreigners

Shenyang Businessman Interviewed
93CE0294A *Beijing JINGJI RIBAO* in Chinese
27 Jan 93 p 3

[Article by Reporter An Li (1344 0448) and Correspondent Pang Tingfu (7894 1694 4395): "Victory to the One Who Strikes First. 'Foreignization' of Taiyuan Street in Shenyang in the Offing. Street's Sole 'National Capitalist,' the Zhongxing Commercial Building Devises Strategies"]

[Text] If Shenyang's Taiyuan Street is likened to a special river, then it is a "commercial flow" that has ebbed and flowed along it for nearly 100 years. People term this valuable place, where every doorway leads to a shop, Shenyang's Wangfujing.

Today, the shops that have lined both sides of Taiyuan Street for several decades are facing turbulent changes unprecedented in its history. Foreign capitalists, including the American Xierfu [phonetic] Capital Group, Thailand's Zhengda [phonetic] Group, and Singapore's Wenshi [phonetic] Corporation have purchased large tracts of land on Taiyuan Street. The Shenyang municipal government has decided that except for the Zhongxing Building, which was newly built here five years ago, and two special shops, all other shops and stores both large and small are to be razed beginning in early 1993.

Although smoke and dust from the razing has not yet begun to rise, the people of Shenyang are imagining the bright lights and merriment that will be coming to Taiyuan Street three to five years hence. Thailand's Zhengda Group will invest 1.577 billion renminbi to build Zhengda Commercial City, a supermarket, Thai City, and eating, drinking, and entertainment facilities. The Xierfu Bloc will invest in the building of Shenyang's first five-star hotel; two other foreign investment five-star hotels will also rise there, foreign businessman investment or Sino-foreign joint ventures totaling nearly 8 billion renminbi, with 266,000 square meters of land being transferred. Modern commercial business facilities will cover more than 2 million square meters. Zhongxing Mall general manager Zheng Wei [6774 0251] said laughingly, "Zhongxing will become Taiyuan Street's sole 'national capitalist' at that time."

As of now, Zhongxing's scale of construction and facilities are the finest in the country. It ranks fifth in sales volume among the country's 100 large malls after malls in Shanghai and Beijing, and it is known as the "tiger of the northeast."

However, the vanguard of the storm to come will begin to blow in early 1993. Taiyuan Streets first phase of construction will equal 20 Zhongxing buildings....

Faced with a thicket of protagonists, in order to be in an unassailable position in the midst of more intense competition, Shenyang's Zhongxing Commercial Building is quietly making great efforts. To use the words of Zheng Wei, the firm acted long ago. First, Zhongxing has mapped out a strategy for using "internal reform and outside contacts" as a resourceful way of meeting the challenge. In order to expand the scale of operations, they have set up 24 chain stores in the province, and they have established a branch corporation in Shenzhen. They are operating Shenyang and northeast China household electrical appliance companies jointly with 16 well-known business concerns. They have built two food plants as joint ventures, one of them a joint venture with the American "Meidenggao [phonetic] Food Corporation." The pizzas that it produces will become a big taste sensation in Shenyang. It has gone into business with 12 Hong Kong shops in the joint operation of what is now the biggest "Hong Kong famous shops arcade." It is trading with the United Arab Emirates, eastern Europe,

and Hong Kong, and it has set up a branch corporation in Singapore as part of a multilateral foreign trade network.

Market competition is, first of all, competition for business ideas. Faced with an ever changing market, it is necessary to meet change with change to keep in tune with the dynamic market. In order to do this, the firm must constantly readjust commodity lines and the way they are presented, promptly changing from featuring household electrical appliances to having clothing play the main role. Thus, "Paris Fashions City," "Western Cowboy Street," "Shanghai Shoe Store," "Gentlemen's Trouser Gallery," and such shops having a strong flavor of refinement adorn every floor of the building. They provide a specialty business, merchandise lines, and a pleasant purchasing ambience in order to compete with the foreign shops.

Emphasis on service is a tactic that cannot be ignored in Zhongxing's competition with foreign shops. Zhongxing does not plan to engage in tremendous prize sales or huge "mind-boggling clearance sales." Zheng Wei said: Merchandising depends on reputation, service, and price. His firm has run a tight shop for five years during which time it has fined 208 staff members and workers for infractions. It has also drawn up strict rules and discipline about what is to be stocked, and it has worked on the merchandise quality problem from five angles, including purchasing, warehousing, setting prices, and spot checks. This is called a "merchandise procurement follow-up system" that ensures that the company's merchandise gains customer confidence. In order to solve the customer's worst headache of returns and exchanges, Zhongxing allocates 100,000 yuan each year as a fund for the return and exchange of goods. If there is any question of accepting or not accepting a return, the return is accepted; if there is any question of making or not making an exchange, an exchange is made. The company would rather lose a dollar rather than have a customer lose a cent. It would rather "take back a piece of merchandise several times rather than disappoint a customer once." This is the most sincere manifestation of a service mechanism that succeeds through trust, and it also forms a solid basis for competition with foreign shops.

Being established in the Shenyang market, orienting toward the market within the province, developing markets throughout the country, edging into the international market, and allowing Zhongxing to move out into the world is the enterprise's long-range strategy that has already been put into effect and has produced initial results. It is also an anchor used to face the storm. Faced with the constantly changing scene on Taiyuan Street, General Manager Zheng Wei has a more clear-headed understanding of his own: "The Chinese have their own distinctive way of doing business, which is by no means inferior in any way. It relies on originality, not fearing the arrival of foreign goods, and not fearing being bested by foreign shops. In other words, when foreign businessmen build so many shops here, they cannot send

foreign businessmen to manage them. I will set up a business management company that trains Chinese talent for foreign shops that is bound to make Taiyuan Street boom even more..."

Liaoning Paper Views Issue

93CE0294B Shenyang LIAONING RIBAO in Chinese
5 Feb 93 pp 1, 3

[Article by Reporter Shi Hang (0670 5300): "The Origin and Development of Shenyang City's Transfer of Use Rights For Parcels of Chinese Land to Foreign Businessmen"]

[Text]

- Are Policy Makers Feverish and Following the Fashion When Shenyang City Transfers Land to Foreign Businessmen?
- Transfer Might Be All Right, But Why Taiyuan Street, Which Is As Precious As Gold?

Is the Taiyuan Street Transfer Price Too Cheap. Is a Mule Being Sold for a Donkey's Price?

People Say That the Foreign Businessmen Resold the Land at a Profit. Is That True?

Where Will the Families and Units That Are To Be Moved Settle, and What Is Their Future?

Poets use the simile of the bosom of the motherland and of a mother in describing land—warm, generous, sacred, and pure.

In 1992, the Shenyang municipal government transferred to foreign businessmen the use rights to a tract of state-owned land that included some parcels in three locations, namely the Taiyuan Street area, the new North Station area, and near the municipal government plaza, as well as a stretch of Little East Road. An action on such a grand scale is unprecedented outside the Great Wall since the founding of the people's republic.

Is it right or is it wrong? Is it a blessing or is it a misfortune? Opinions vary widely; comment differs. Anything having to do with the transfer of Taiyuan Street arouses people's intense awareness. Some earnest people have made long distance telephone calls of inquiry from Fushun and Dandong. It is as though the eaves of countless houses far away from Taiyuan Street also touch this affluent place.

Shenyang City's transfer of land to foreign businessmen sets off solemn feelings of patriotism in some people. It produces associations with the past. It is as though the pen that signs today's agreement with the foreign businessmen has been received from the hand of Li Hongzhang. These people feel that if the handling of this matter is deemed correct, then both Li Hongzhang the Empress Dowager should also be enshrined as the fore-runners of reform and opening to the outside world.

For an overwhelming majority of people, it is a matter of weighing the gains and losses and the advantages and disadvantages from the transfer of land to foreign businessmen. Since officials has been unable to provide the public with a timely, factual basis for judging the rights and wrongs of the matter, a lot of time is left for gossip, all sorts of speculation and even for rumors to spread. This upsets people as much as news of an impending earthquake on Taiyuan Street.

Just what are the facts? How is Shenyang City's transfer of land to foreign businessmen to be evaluated. The correspondent interviewed people in the city ranging from the mayor to parties concerned at various levels in order to provide readers with a firsthand report.

Reasons for a Major Decision

In October 1992, the public learned about Shenyang City's transfer of land, including Taiyuan Street, to foreign businessmen. At that time, because of the shock, quite a few people felt the event had occurred too suddenly. They went on to conjecture as to whether, prompted by a sudden whim to follow the fashion, those making the decisions had slapped themselves on the forehead and staged a giant auction? However, the direct perceptions and speculations of outsiders cannot substitute for the real reasons for this major decision.

During the spring of 1992, the Shenyang CPC Municipal Committee and municipal government decided to transfer to foreign businessmen use rights to seven state-owned developmental zones including Zhangshi, Nanhu, Xinbeizhan, and Hunhepan covering an area totaling 81 square kilometers as a means of welcoming both domestic and foreign businessmen to invest in the operation of industries in Shenyang. In this connection, Deputy Mayor Ren Dianxi [0117 3013 0823] and Mayor Wu Disheng [2976 6611 3932] held press conferences, first in Shenyang and then in Hong Kong.

In connection with the land transfer, Wu Disheng made a special trip to Thailand, and Deputy Mayor Zhang Ruichang [1728 3843 2490] went to Japan to solicit businessmen. The deputy mayor for culture and education, Ai Tingjuan [5337 1694 7165], went to Zhongshan City in Guangdong Province where, in connection with the same mission, he talked about the land business with the Hong Kong Xinhua Group. Other leading comrades also contacted through their own channels friends in China and abroad who might be interested in a land transfer.

Foreign businessmen came to Shenyang where leaders concerned from the municipal CPC committee, the municipal government, the municipal people's congress, and the Municipal Chinese People's Consultative Congress took turns meeting their contacts. Even municipal general trade union chairman Li Zhonglu [2621 00022 7627] welcomed the visiting businessmen...

Clearly this was a well thought out action on the part of Shenyang's leading organizations for carrying out a major decision. But how did it look for the august CPC

municipal committee and the several major teams under its leadership to be suddenly greeting the heads of financial groups from abroad with smiles, and discussing deals with them about the sale of Chinese territory?

Such concerns, condemnations, and indignation occurred during the first several years. When windows opened to the outside world such as Shenzhen used land to attract businessmen, and when Tianjin transferred not very large parcels of land to foreign business, the intense debate went from the local area to the Great Hall of the People. It was a matter of whether the basic law of the country should be changed.

Under the planned economy system, China has deemed land to be an expression of sovereignty. It could be divided up for the use of government units without compensation, but not an inch was to be transferred to foreigners. With the intensification of reform and opening to the outside world, people gradually came to appreciate the commodity nature of land as an important element in production. In 1988, the first meeting of the Seventh NPC and the fifth meeting of the Seventh NPC Standing Committee respectively passed a revision of the constitution and the land control law, which acknowledged the principle of a separation of land ownership rights and land use rights, and decided on "state implementation according to law of a system for the use of land for payment." On 19 May 1990, the State Council promulgated *Interim Regulations on the Sale and Transfer of City and Town State-Owned Land Use Rights, and Interim Control Methods For Foreign Trader Investment, Development and Operation of Tracts of Land*. Thus, the commodity nature of land won legal recognition, and the sale and transfer of land use rights to foreign traders for payment and for a limited period of time was provided legal protection. "How did Shenyang's action look? It looked like behavior according to national law.

Several large teams in Shenyang City acted as a group in courageously associating with foreign traders to talk about the land business. Not only did this have a legal basis, but it could help the flourishing of reform and opening to the outside world that Comrade Deng Xiaoping promoted in his remarks during travels in south China. Guangdong Province, which had taken the lead in the transfer of land to foreign businessmen in the Zhu Jiang Delta, had 16 cities by last year in which a total of 45.43 million square meters of land had been transferred. Jiangsu Province transferred 104 parcels of land covering an area totaling 3.25 million square meters, including golden tracts in six cities such as Suzhou, Wuxi, and Changzhou. Hebei Province transferred more than 60 tracts of land covering a 550,000 square meter area. Shanghai moved ahead very rapidly with the transfer of 112 parcels totaling 7.24 million square meters in area, and Tianjin transferred some tracts in its most affluent Xiaobailou commercial district.

The transfer of land resources through the market can become a tremendous source of capital that generates all

sorts of benefits. Once this internationally generally recognized principle is understood and put into practice by policy makers about land in China, every place can flourish and prosper rapidly, and be filled with vitality. If Shenyang's leaders provide no place in the city for foreign businessmen to put up buildings, but want to demonstrate instead their own ideological "purity and holiness," they should move into the ancient palace and become curios. Granted that encouragement and impetus from the overall climate is important, of even greater importance is an inherent driving force. Large slum areas and a ramshackle and antiquated infrastructure is the disastrous legacy that the old society bequeathed to Shenyang. Shenyang is unique in this regard among China's major cities. The piddling amounts of money that the treasury disburses do not go far. The burdensome task of transforming the old downtown area forced Shenyang's leaders and government departments to think of something else. But what something else? During the period when land was apportioned without payment and housing was assigned on a welfare basis, Shenyang hit upon the idea of putting real estate on the market so that it would increase in value with turnover to provide money for the building of the city. The policy inaugurated in 1980 provided that 35 percent of the housing area, or a corresponding amount of money, had to be paid to the city for all new land taken over for the building of apartments in the renovation of the old city. This was known as "using the new to repair the old," and the commercialization of dwelling construction was forthrightly embarked upon.

The large slum areas urgently in need of renewal could not be paid for by "using the new to repair the old," but Shenyang's decontrol policy attracted capital to the city from all over to develop commercial housing. Clusters of new building began to go up on street after street and tract after tract of the old city. Households that moved found themselves suddenly ascending skyward, and both the developers and the government benefited. The next step was to go from the development of commercial housing to the development of commercial land. An example was the barren land returned to the city that had formerly been a glider strip. The completion of first phase infrastructure by a development corporation under municipal government jurisdiction converted "raw land" into "mature land." Later on it was transferred as commercial land to a unit from the Hun He residential area for the construction of commodity housing. The Wuli He Sports Center to be built for the hosting of China's Second Youth Sports Meet could now be completed on time after numerous setbacks. The more than 100 million yuan that was spent on it came from the development of commodity land in the Hun He residential area.

During the past slightly more than a decade, Shenyang has built 194 housing communities covering an area of more than 20,000 square meters, has widened and built numerous transportation arteries, has erected seven standardized overhead walkways, has completed the Shenhai Thermal Power Plant and the first phase of the

Dahuofang Reservoir water diversion project, has built the Wuli He Sports Center, has built a new North Station and the Taoxian Airfield in conjunction with central government units concerned, and has converted into scenic areas the South Canal and the foul-smelling ditches in Tiexi, etc. And where did the money come from? The main channel for raising capital was the marketing of real estate for full development.

In such undertakings, Shenyang was much earlier than places in south China, but its returns were much poorer than theirs. Why was that? It was because the south opened up to foreign traders while Shenyang limited itself to contacts with domestic businessmen. We must get going in order to catch up!

Taiyuan Street and the *On the River During Qingming Festival Painting*

"Transferring land to foreign businessmen is all right, and designating some remote, not very good land where they can build foreign style houses is fine, but why turnover to them Taiyuan Street where land is as precious as gold?"

At first, Shenyang settled on seven parcels of land for development zones to attract foreign businessmen that did not include Taiyuan Street and other key places, but foreign businessmen did not express much enthusiasm for this no-account land. Takers were few and far between. Attracting businessmen meant inviting businessmen. But whom to invite? In April 1992, Wu Disheng led a group to Thailand to call on several gentlemen in charge of the Zhengda Group. The Zhengda Group is very powerful. Not only is it foremost in Thailand, but it also has substantial influence in southeast Asia and the world. Where it invests is watched closely by others in the same business. If the Zhengda Group could be brought into Shenyang and put down roots here, that could set off a chain reaction.

In July 1992, the Zhengda Group chairman of the board and general manager, Mr. Xie Guomin [6200 0948 3046], came to Shenyang in response to an invitation. Wu Disheng conversed with him like an old friend, and provincial governor Yue Qifeng [1471 1477 1496] had a cordial meeting with him. Then, municipal construction committee chairman Zhang Fuchen [1728 4395 1820] toured the city with him and briefed him on matters. Mr. Xie looked everywhere, selecting a 66,000 square meter parcel of land on Taiyuan Street where the Shengsheng Photography Salon is located, and a 200,000 square meter parcel in the new North Station area. The chairman of the board of the Hong Kong Xili Company, Mr. Guo Henian [0948 6320 1628], who came shortly thereafter, selected a 5,600 square meter parcel on a corner of Taiyuan Street where the Oriental Drugstore is located, and a 45,000 square meter tract on the southeast side of the municipal government plaza. A succession of foreign businessmen who came to Shenyang all had their eyes on Taiyuan Street. How should this unforeseen situation be handled?

Leading comrades in the municipal government such as Wu Disheng and Ren Dianxi discussed the matter urgently, pondered the past and the future, and re-examined policy thinking. The original idea in offering seven parcels of land in the Zhangtu development zone to attract businessmen was to attract foreign capital to operate industries in order to accelerate renewal of the old industrial base. Foreign businessmen's interest in Taiyuan Street was for the development of tertiary industries. They wanted to build a large commercial trade building, a collection and distribution center for the means of production, a financial center, a high quality guest house, office buildings, and entertainment spots. Should the foreign businessmen's ideas be accepted or rejected? That depended on how one viewed the correlation between a city's destiny and secondary and tertiary industries. Comrade Deng Xiaoping had earlier made some incisive remarks in an important thesis about the establishment of a market economy system, and both the CPC Central Committee and the State Council had issued decisions about accelerating the development of tertiary industries. These strategic ideas for guiding the overall situation were of great benefit to the leading comrades in Shenyang in striking off historical limitations and widening their decision-making horizons.

Immediately following liberation, Shenyang City emphasized the development of secondary industries. It spent several decades on the task of changing this consumption city into a production city. However, under a planned economy system, production frequently manipulates demand artificially rather than being based on demand. The accumulation of goods in inventory and slack sales also frequently result from one industry doing what every other industry is doing, falling into a trap thereby. The only way out of such a predicament is to allow the market to influence and guide the factories. Henceforth, more emphasis would have to be placed on meshing with the international market. But where is the link-up point? Is it at the counters of the Zhongxing Building or in the warehouses of First Department Store? Neither one. However, foreign businesses like the Zhengda Group can bring the international market to China's doorstep. The smoothly flowing information networks, and the supply and marketing channels of such trans-national corporations might very well become the highway linking Shenyang's secondary industries to the world market. Creating a fine climate for them is also the only way to attract more foreign capital to operate secondary industries. In the cities of developed countries, 70 percent of all industries are tertiary industries, but in Shenyang the percentage is only slightly more than 30. This stifles the development of secondary industries. Formerly, municipal leaders' understanding of tertiary industries halted at the "rudimentary economic" level. The emphasis was on solving the public's many difficult problems, doing a good job of providing services for the common people. Clearly, this was not enough. It is a long way from building an international and modern central city. Wu Disheng said, "Tertiary industries have a lot to do with

Shenyang's prosperity or demise. Since foreign businessmen want to invest in Taiyuan Street to do what we ourselves would like to do but cannot do, we should take the opportunity, adroitly tailor actions to suit circumstances, and not turn away those who come!"

Taiyuan Street's affluence attracted the investment of foreign businessmen, but also made people feel about transferring this land to them. By comparison with the rest of the city, Taiyuan Street is a Mount Everest in the development of tertiary industries in Shenyang. But what kind of affluence is this? People are familiar with the *On the River During Qingming Festival Painting*. This is a painting showing an urban scene in the capital during the Song Dynasty, which is part of the first generation of the commercial development pattern. It shows shops lining the streets. During the second generation, shops line the streets with workshops in the rear courtyard. Production and marketing are separated by a wall like the scene in the lanes and alleys of Shanghai before liberation. During the third generation, streets and workshop areas are divided into districts by kinds of merchandise like Wucai City in Dalian's development zone. During the fourth generation, facilities are modern and everything is available in keeping with the international flow and people's diverse needs. It is a complete layout having a three dimensional structure like... Like Shenyang has yet to see.

Taiyuan Street, whose construction was planned following the Russo-Japanese War of 1905, has as its centerpiece a shop-lined street pattern—the first generation commercial development pattern that is identical with the one shown in the *On the River During Qingming Festival Painting*. There, one after another two and three story buildings of brick and wood construction have withstood nearly 100 years of weathering to outlive their usefulness. The way of keeping pace with the times has been to work on the refurbishing of the building facades, wealthy establishments applying wallpaper as a border on glazed tiles, and not so wealthy establishments applying paint. The addition of a large amount of neon lighting adds a modern flavor. But how can women in their 60's and 70's hide their age with Aolisi Ainong [phonetic and probably the name of a foreign cosmetic product] lanolin?. The flow of people through Taiyuan Street is greater than in the *On the River During Qingming Festival Painting*. What are these people doing? They are shopping. The affluent look of the city and the specialized nature of the things sold there make Taiyuan Street seem like a hill in comparison with the tertiary industrial centers meeting international standards that stand like Mt. Everest in the range of their functions as centers for trade and commerce, finance, scientific and technical data, information, and entertainment.

Taiyuan street has long been in need of renewal, and the problem has not been failure to make blueprints for the clusters of enormous structure reaching half way to the sky. The problem has been the enormous amounts of money needed to translate the thin lines on the paper into magnificent things. The money shortage prevented

Taiyuan Street from getting rid of the city plan that the Japanese had designed in the early part of the century. People may well ask: Weren't several big buildings put up in the Taiyuan Street area during the past several years? Except for a small amount of money brought in from the Zhongxin Company, it was bank loans that built the Zhongxing and Zhongshan buildings. As for the Golden Triangle Building, it was only after ground was broken that some money was obtained somehow from the moneybags of the Liaoning Provincial Hardware Store to begin building. The Qunxing Building was planned with great difficulty by the municipal bureau of commerce and industry and built only by raising money from individual businesses throughout the city (those putting up money getting a business space). The previous plan for Taiyuan Street's renewal was under the old pattern whereby whoever got together enough money became a player. This is the way building has done during the more than 40 years since liberation. Once foreign businessmen invest, Taiyuan Street can go directly from the shop pattern of the first generation to the fourth generation becoming a true Mt. Everest in the development of tertiary industries. What is wrong with that?

It is because the municipal government did not have its vision clouded by Taiyuan Street's presence affluence that it decisively seized the hard-to-come-by opportunity to transform the street completely. The Dadong district, which is replete with antiquated tertiary industries, willingly took the risks involved to seek opportunity. The Dadong District had no small number of war production enterprises, but the only commercial businesses it had was department stores and grocery stores. It ranked last among the city's five districts in terms of fiscal income. It was hard to do anything. Little East Road in this district was just one street away from Main Street in the Chenhe District, where people flowed like the tide and there was plenty of money. Meanwhile, all that Little East Road had was parking places for people who went elsewhere, and the only source of money it had was small bills in the apron pockets of old ladies who looked after the cars. Did an iron wall separate the two districts? Once commercial facilities arrived, a flow of customers would follow.

The district chairman, Wang Chunqi, boldly proposed that Main Street be extended 700 meters with the goal of creating a new Main Street. How could that be done? The earliest plan was to tear down the dilapidated houses on both sides of Little East Road and put up six multi-story buildings along it, with retail stores on the first and second story and apartments above. Soon afterward, Wang Chuqi felt that this was an out-of-date way of using the land. His second plan was for two six-story buildings for businesses only with no apartments, and he began working on this plan. In May 1992, Wang Chunqi visited the United States where he found out for the first time just what the contemporary level of development of tertiary industries is. He then began to reconsider the second plan, which was, at best, nothing

more than a copy of Main Street. If it had been completed, the flow of customers through it would not be great either. Thus, he came up with the third plan at a century-spanning international standard in which eight tall buildings were the centerpiece.

The third plan would require a tremendous amount of money, and the only way to get it was to import foreign capital. By this time, the dilapidated houses were already being torn down, and the construction team for the second plan had already begun to put in the foundations. Nearly 1 million yuan had been spent on the second plan already. Should construction proceed? If foreign businessmen were to be brought in all of a sudden to put up competing projects, the losses would be great. Should work be halted? If foreign businessmen were not brought in and work continued on the second plan, for each day the work was halted the cost would be 200,000 yuan. After the Dadong District leaders' collective revalidation, a firm decision was made: halt work and get rid of the second plan! If the first effort to attract businessmen did not succeed, further effort should be made to attract them. The effort had to be made. Unless a century-spanning new Main Street were created, Dadong District would never be able to make a new start!

Would the abandoned work site along both sides of Little East Road lay there for a long time to be pointed at with derision, and become the graveyard in which the political careers of this group of leaders would be buried. Taking risks, they burned their bridges behind them. Five delegations in search of foreign businessmen left the country for points abroad. During the summer of 1992, foreign businessmen came to Shenyang one after another. Dadong District sent more than 50 people out to make friends. Mr. Lin Xikun [2651 6932 0981], chairman of the board and general manager of the Shanghai Holdings Company in Singapore, and Miss Chen Xiaoying [7115 2556 3379] of Jiangsheng Enterprise Corporation in Hong Kong came in response to invitations, and discussions with them bore fruit. The city government gave full support.

The transfer of land use rights on Taiyuan Street and Little East Road explains from two different sides a problem that had different starting points: 1) recognition that backward tertiary industries were holding back Shenyang, and 2) opening wide the door to foreign businessmen.

Purpose: Foreign Businessmen Prosper and We Develop

During 1992, Shenyang City signed 17 land transfer letters of intent, agreements, and contracts with foreign businessmen. Most of the signing ceremonies were held during the Yangge Festival in the elegant Lakeview Gardens Guest House. The legal representatives of both parties were able to affix their names to the solemn text, and find common interests not for the purpose of catering to the gongs and drums of the pulsating main streets and lanes, but by ardently learning from each other and sincere exchanges.

The foreign businessmen who came to Shenyang in a stream during the summer of 1992 after learning of the intention to transfer land began a conscientious and cautious assessment and evaluation of a Shenyang City that had formerly been a stranger to them. The Zhengda Group was an example. All in all, more than 10 groups of people from this firm had come to Shenyang including experts in planning, geology, business and trade, and finance, as well as a geomancer. These experts included Thais as well as Americans, Taiwanese, and Hong Kong people hired at high salaries. After nearly four months work, they finally signed an agreement. Their increasing earnestness showed their increasing sincerity.

Since the tract of land transferred to the Zhengda Group was large in area, the construction time would be somewhat long naturally. There was also quick action on "short level and speedy" [a short period of time between the time technology is available and the time it is applied to production, a technological level suited to the scale of the enterprise, and speedy economic results]. Mr. Wang Shizhong, the officer in charge of the Southeast Asia Bureau of the American Xiehe Group, and his assistant visited Shenyang for the second time on 24 July 1992 where they held conversations for 24 hours lasting into the middle of the night. They then signed an agreement for the transfer of land use rights for the Peace Grocery Store. Despite the short period of their visit, they conducted a very conscientious survey. During a break in the conversations after dinner, Mr. Wang watched the flow of customers inside and outside the store, watched the number of transactions, and watched the customers buying merchandise worth more than 300 yuan, figuring...

The purpose of the foreign businessmen's earnest and careful surveys and assessments was to get an accurate reading of the market situation, business turnover, and of the geology, and the state of transportation, water supply, and communications on the tracts of land being transferred as well as about Shenyang as a whole in order to estimate future inputs and outputs. In short, they wanted to help their group get rich, and they wanted to guard against making a decision that came a cropper as a result of their not understanding the situation.

How did Shenyang deal with this? The overall guiding thought that Mayor Wu Dishen provided was: "the foreign businessmen get rich and we get development." Deputy Mayor Ren Dianxi said: "Only by letting foreign businessmen get rich can we develop. While considering our own interests, we must also show responsibility toward the investors so that the foreign businessmen get the rate of return they should get in international practice. We cannot let them fall flat in Shenyang."

In order to attain the goal of genuine cooperation between both parties, municipal government leading comrades met several times with foreign businessmen coming to Shenyang, expressing respect for the other party as a matter of courtesy, and taking direct part in important talks with them. The municipal government

organized a negotiating team headed by municipal construction committee chairman Zhang Fuchen, and including the director of the Land Planning Bureau, Wang Qing [3769 3237], the director of the Real Estate Bureau, Yu Shijie [0060 1807 2638], and the person in charge of the new North Station Development Zone, Wang Chonghua [3769 1504 5478]. These comrades were intelligent and capable, broad-minded and quick-witted, and possessed of rich experience. They had a strong sense of the need for decontrol, and once they made up their minds, they followed through with positively no sloppiness. They put the municipal government's intentions into effect, and they briefed foreign businessmen on the situation in a realistic way without deception. Just two examples follow:

Zhang Fuchen had worked in construction in the city for more than 30 years beginning in the 1950's when he wore a safety helmet as the man in charge of a construction site. His mind was actually an encyclopedia of how the whole city was built, including both the above-ground and the underground structures. The experts from the Zhengda Group who came to Shenyang were mostly received by him. How responsible was he about providing information? After traveling around for a long time with Mr. Li, the geomancer, Zhang Fuchen asked him: "Is there anything else you are unclear about?" Mr. Li said, "Things I never asked about or thought about, you explained extremely clearly. I'll be able to fill in my boss."

Mr. Guo Henian, chairman of the board of the Jiali Company in Hong Kong was planning to build a five-star hotel in which a 50-story building was the centerpiece as part of the world network of Shangrila hotels. The question was should he select a site on the northeast corner of Zhongshan Park, or one on the southeast side of the municipal government plaza? Mr. Guo was unable to make up his mind. Zhang Fuchen took him to the top of the Electrical Communications Building from where they looked down on an expanse of dilapidated houses southeast of the municipal government plaza and out over the whole city. Zhang Fuchen said: "This area is 3 kilometers from Taiyuan Street and Main Street, and it is 2 kilometers from the new North Station. Five years from now, those three places will have largely become a new affluent area. Your Shangrila will be in the right place. It will be right in the heart of the city where transportation is available, and where there will be good business. I think this is a good choice. Furthermore, there are no big buildings to be torn down right here where these houses are, so your costs will be lower." Mr. Guo was delighted and said, "A good idea. This is it." Zhang Fuchen's idea helped the foreign businessman, but it also helped the city see a way to transform this slum area, a problem that had troubled it for decades but that it had been unable to do anything about. This was a vivid expression of "foreign businessmen get rich; we get development."

Of course, when talking about doing business in the transfer of land, the interests of the side supplying the

land and the side in need of the land must coincide, particularly about the price, which is negotiable to a certain extent. The public was very much interested in this matter, and many rumors circulated about it: "The price paid for the land that Shenyang City turned over to the foreign businessmen was too cheap; the city was seriously criticized by the Central Committee!" The so-called "serious criticism" came neither from the Central Committee, nor did it land on the head of Shenyang City. It came only from the tongues of those who believed what they wanted to believe. How could one judge whether or not the price was cheap? Since the commodity nature of land was acknowledged, transfer of use rights to it would have to follow the market laws. The price is in direct proportion to the costs involved in resettling its occupants, and the differences in benefits to be gained from one tract or another following transfer, which depends on factors such as location. Price fluctuates with changes in supply and demand. Shenyang City's policy-making organizations had available relevant information from Guangzhou, Shanghai, and Beijing, as well as from several large northeastern cities, and they had set the transfer price of different tracts in the city. Except for Dalian City, where circumstances are somewhat better, most places in Guandong are not bustling cities where foreign businessmen might gather that the "supply side" would choose easily from the "demand side." In order to bring in foreign capital, Shenyang provided appropriate concessions to those who acted fast, gradually raising prices only after the "demand side" increased.

Both parties talked a lot in negotiations about the land transfer price. Talks with more than one group broke down when they depressed the price beyond our control limit. Shenyang's representatives followed the principle of not "slaughtering" others, but not being "slaughtered" by others either. They maintained a serious attitude of both wanting to attract foreign businessmen and also being highly responsible to the people of the whole city. Only when a common point of benefit was reached with one foreign businessman after another could both side laugh gaily at the signing ceremony. During 1992, Shenyang transferred 850,000 square meters of land to foreign business. In addition, it designated a 1 million square meter parcel in Dongling District for lease to the American Xierfu Fund Raising Group to build a golf course. The average price per unit of area for the 850,000 square meter tract that was transferred was much higher than the total average price per unit of area for all land transferred in Guangdong Province and Shanghai. This was not because the geomancy in Shenyang is better than elsewhere, but because prices were lower in Guangdong Province and in Shanghai during the first several years when they were first getting started. The average per unit price for a 110,000 square meter tract on Taiyuan Street that was transferred was even with the price for a golden tract in Dalian City. It was higher than for several other large cities in the northeast, and it was lower than the standard set by the provincial land bureau for the

transfer of premium quality land. This shows that deals were made between the seller and the buyer through operation of market laws.

However, out of a sense of ardent love for their hometown and cherishing the land as though it was gold, some comrades felt that the transfer of land on Taiyuan Street was a bad deal. "Our precious land is in no way inferior to any one else's!" "Boo. They sold a mule for the price of a donkey!" "Beggars can't be choosers; it was a sale at fire sale prices!" Such unfair hoots built up around just a single point of resistance, namely that the "sale" price of Taiyuan Street was one-tenth that of tracts of land on Beijing's Wangfujing. Fellow citizens of Shenyang, don't get excited. The supply side and the demand side are deadlocked over a tract on Beijing's Wangfujing that is up for transfer. It has still not been "sold" off. Your figure is unreliable, and the actual figure for the Taiyuan Street transfer price has been lowered with the telling. What result other than arousing feelings of discontent can come from the building of such a center of resistance based on comparative figures? People would do better than to make judgments based on street gossip. Later on, when the Wangfujing tract is transferred, the price is certain to be much higher than for our precious land. This is because Taiyuan Street is not located in the most affluent part of the nation's capital. Should this difference in environment and difference in benefit be any less than the difference between a donkey and a mule?

Actually, for both Shenyang City and foreign businessmen, the income received and the payment made in the transfer of land are small amounts relative to the money required for the whole undertaking. Why are foreign businessmen setting up camp to invest in Shenyang? The statement of Zhengda Group boss Xie Guomin is representative of the foresight and sagacity of foreign businessmen. He said, "We have great confidence in China's intensification of reform and opening to the outside world. Great prospects and tremendous capacity exist for the development of tertiary industries in the northeast region. Investment in construction in Shenyang offers more than in either Korea or Russia. If we miss this opportunity, we may never be able to get in." The overall climate of China's stable reform and opening to the outside world enables foreign traders in the tertiary industries to shift from the coast inland. They are fond of this "virgin land" of Shenyang. They want to use Shenyang as a base for radiating elsewhere in the northeast and northeast Asia to do large scale international business.

What is the perspective of Shenyang's leaders? Ren Dianxi said, "We are not setting up a stall to do small scale business with foreign businessmen. We have to make a stand on the land transfer price issue, but we cannot let ourselves lose a lot by trying to save a little. The key is attracting foreign businessmen. The tremendous economic benefits, social benefits, and environmental benefits that they generate in the development of Shenyang after foreign businessmen invest are the big payoff!"

After the foreign businessmen come in, the newly decided on renewal plan for the Taiyuan Street area will be implemented. It will require an investment of 10 billion yuan. Implementation of the new North Station area construction plan will require 10 billion yuan; and implementation of the plan for the rebuilding of a new Main Street in the Little East Road section will require an investment of 2 billion yuan. In addition is the parcel of land on the southeast side of the municipal plaza. A total of approximately 23 billion yuan will be required. Without the investment of foreign capital, what results can be obtained by our own "self-reliance"? Each year, Shenyang City appropriates nearly 250 million yuan for urban construction. After deducting for the system's administrative expenses, repairs, and maintenance, only between 30 million and 40 million yuan remains for new projects. When working capital set aside for channels such as internal real estate development is added in, only 200 million yuan is available for urban construction (not including housing construction). With this amount of money, it would take more than 110 years to implement the foregoing plans, 50 years for renewal of the Taiyuan Street area alone. With the investment of foreign capital, the situation changes greatly. Renewal of the Taiyuan Street area will take an estimated five years, or possibly a little longer. The new North Station area can be built in an estimated 10 years, and the Little East Road section can be built in an estimated three years.

When foreign businessmen build high buildings on the transferred parcels of land, the construction crews and the building materials will come mostly from within Shenyang and the province. When the big buildings are finished and begin to operate, except for a small number of principal managers brought in from abroad, 97 percent of the registered employees will be selected locally. Departments concerned estimate that the Taiyuan Street area will employ between 70,000 and 80,000 people, the new North Station area 100,000, and the Little East Road section 30,000. Every big foreign businessman business translates into a cost-free talent training school for Shenyang. With today's junior bosses, a smart-looking entrance, a little rock and roll music, and opening up of the collars of the hostesses to show a little more area, it seems we are about to reach the international standard. Whether true or false, we are unable to figure out. With foreign businessmen bringing standard modern management experience to Shenyang, within three to five years, some managerial talent will have been trained, and personnel caliber will be improved in many areas. This is invisible but important wealth.

Visible are the tremendous riches, including, of course, foreign businessmen's tax payments to the government, etc. Isn't this "foreign businessmen getting rich and we getting development?"

Might We Fall Into Being a "Leased Territory" From Which We Are Excluded

Since the transfer of land use rights to foreign businessmen holds numerous advantages for Shenyang's development, is it true that the more land we "sell," the

better off we will be? When foreign businessmen come in, what will happen to local businessmen? Some comrades have many apprehensions, and cannot relax. Some say, "Once foreign businessmen take over, the local businessmen are finished. Indigenous industries and businesses will be squeezed out by others!" Some say, "when all the good locations are transferred to others, what kind of good business can be built on the odds and ends that are left over?" Some also escalate the issue to the political level: "What is transfer? It is leased territory under the red five star flag! Next we'll see a tragic situation of 'Chinese and dogs prohibited entry!'" If such is the case, we should regard the Shenyang City government like the government of the Qing dynasty and overthrow it. What are the facts?

At the end of summer and the beginning of fall in 1992, when a festival atmosphere of gong and drum sounds, and dancing prevailed in Shenyang's streets and parks, three negotiation meetings with foreign business were being held. The exhibition room of the newly opened Lakeview Park Guest House exhibited a series of publicity posters that provided the public all the data about the transfer of land to foreign businessmen. While the foreign businessmen who had come to Shenyang in a stream were still standing around the poster showing Taiyuan Street, Ren Dingxi told someone to remove it. Why remove it? Because the city government's transfer of the Taiyuan Street parcel was not an unlimited "sale" and that's that. One has to take into account the overall balance, understanding that the bringing in of foreign businessmen and the development of internal business is a more appropriate yardstick.

The parcel of land formed by the two right angles of Zhongshan Road and Democracy Road with South Station at the top angle and Nanjing Street on the bottom side is the most affluent golden triangle area of Taiyuan Street. It covers an 810,000 square meter area. The eight parcels of land transferred to foreign businessmen total 110,000 square meters, or only one-eighth of the totals, and after deducting the area used for roads, it amounts to only one-sixth. Most of the tracts with the golden triangle are still used by Chinese businessmen. However, after foreign businessmen occupied the one-sixth, a qualitative change occurred in the golden triangle. Wherein does the secret lie?

According to the new plan, the construction area in the golden triangle is 2.5 million square meters, the buildings of foreign businessmen taking up 1 million square meters of it. The Zhongxing Building, the Zhongshan Building, and the Qunxing Building, which were newly built there not long ago, will not have to be touched. They occupy 500,000 square meters. The Liaoning Guest House, the Provincial General Trade Union Building, Qiulin Company, and Shenyang Hotel, which are structures in the modern style, are to be retained. They also occupy 500,000 square meters. That leaves another 500,000 square meters on which Shenyang City can continue to build new sites for local businesses, using the money made from the transfer of land to foreign

businessmen for their construction. The new golden triangle area will completely change the old shop pattern. It will be divided up into complete commercial cities that include a clothing city, a food city, an entertainment city, a photography city, a watches and spectacles city, and a science and technology, cultural, and book center. Today, Taiyuan Street has a flow of 200,000 people each day. It is extremely congested. As soon as people are finished shopping, they leave at once. After it is rebuilt, the golden triangle area will have a daily flow of 500,000 people, but people will feel relaxed and at ease. Why? Not only will the business area increase several times over by building upward, but the surface transportation system will become three dimensional. One level will be underground, and two levels will be above ground. Buildings will be connected with each other via crosswalks. Rest areas will be located every 150 meters... The entire golden triangle will become a marvelous place built to high standards. Why shouldn't business be good?

Of course, once the foreign businessmen arrive, the Chinese businessmen will face competition and challenges. But, where the foreign businessmen run five-star establishments, we can operate places having a local flavor, each doing what he does best! Competition will also force us to change our present way of doing business and providing services. The impact of advanced things of an international nature will eliminate those things that were backward to begin with, or that never caught on, or that businessmen refused to part with. Such an updating is as important as the rebuilding of the dilapidated buildings in the old streets.

In the past, foreign businessmen visiting Shenyang lived in guesthouses run by Chinese. From now on, not only will they have their own five-star establishments, but their own real estate as well. Some older northerners who lived under the bayonets of the aggressors cannot help but think back to the time of leased territories and colonies. The plain fact is, however, that these foreign businessmen do not rely on the force of foreign arms to take over ownership of Chinese territory, and the construction of high rise buildings is also entirely different from the building of the headquarters of the Guandong Army during those years. The foreign businessmen are cooperating partners who the people's government has invited for reciprocal benefit and who do not enjoy any privileges outside the purview of China's laws.

According to the provisions of the land law, foreign businessmen are bound by the following restrictions:

They recognize the restrictions placed on the use of the land by the land control authorities in charge. For example, they are not permitted to build houses of prostitution, nor may they build factories in the affluent district.

The period of land use for entertainment and purely commercial purposes is 40 years, for multiple purposes 50 years, and for dwellings 70 years. In individual cases, the time limit may be extended subject to government

approval. Upon expiry of the period of use, the government takes back the land use rights and the structures on the land without payment of compensation.

Once foreign businessmen gain land use rights, they must make the inputs necessary for construction. No transfer may be made unless the investment is at the planned scale. When transfer is made following construction of the real estate, the government is to collect a percentage of the added value.

"People say that after certain groups obtained land use rights in Shenyang, they sold them in Hong Kong at a big profit, one rascal making several billion yuan. Is that true?"

"Pure rubbish! The stated provisions spike the possibility of making a profit on land speculation. A second transfer requires replacement of the land use license. Without a change, all is lost. And this solemn license is held tightly in the hand of the municipal land bureau."

There are also specific limits on when construction is to begin and be completed once land has been transferred to a foreign businessman.

The planning law provides that foreign businessmen will be bound as follows:

Abide by the construction density rate that the planning authorities require, i.e., the ratio between unit occupancy area and the construction area. A density rate that is either too high or too low will not do. Too low, and the foreign businessman's investment will be small; too high, and the city will be unable to bear the cost of infrastructure needed to support the foreign businessman's open-ended construction.

Control over construction height. The air over Shenyang is used for microwave transmissions and aircraft take-offs and landings. In addition is the matter of the city's silhouette. The amount of land transferred to a foreign businessman is limited. If he intends to build as high as possible in order to increase the usable area, that will hurt the overall situation. So height is controlled. In the Taiyuan Street area, the limit is a hundred meters; in the new North Station area, somewhat greater latitude is allowed.

Control over construction density. Ordinarily, the structure occupies 60 percent of the land with 40 percent open space and specific provisions made for a certain percentage for plantings.

Control of the coordination between structures and the surrounding environment. Public transportation may not be interfered with. Sufficient road width must be left for planned lines, and requirements are set regarding underground garages and the direction in which their entrance faces.

City plan applies to the overall scheme of things. The design of every structure that a foreign businessman builds must conform to the overall plan. It must be

examined and approved by the authorities in charge in order to be valid. Construction cannot be done in an offhand way.

The restrictions on foreign businessmen of the land law and the planning law are an expression of the exercise of sovereign rights. Later on, foreign businessmen must also operate in accordance with industrial and commercial control laws, and pay taxes according to the revenue code. Let me ask you old-timers, Were the leased territories and the colonies you saw like this?

Who Is the Most Direct Beneficiary

Shenyang's transfer to foreign businessmen of the use rights to a certain amount of land has a close bearing on the personal rights and interests of the more than 700 businesses and nearly 10,000 city households on the land that was transferred. It affects no small area.

With the approach of the lunar New Year, should grocery stores bring in large amounts of goods to sell as they did in previous year? If they bring it in and have to move before it has been sold, fresh produce will rot in storage. If they do not bring it in and they do not move for a while, how much money will they lose from missed sales during the busy season? Telephone sales of some shops have fallen off greatly because some customers are afraid that the shop will go out of business and they will have no place to get warranty repairs. Some shops that have retired staff members and workers on the job have suddenly applied for reimbursement of medical expenses fearing that the chits that the shop has issued will not be convertible to cash. They are so nervous that they have lost the ability to sort out even obvious rumors. Staff members and workers over 45 are to be given 20,000 yuan and let go! At this rate, the future looks dark and murky. No wonder people sigh, "What will I do?"

Both sides of Little East Road have been opened up. Work has begun on the Hong Kong Jiangsheng Enterprise Company's turnkey project. When spring comes and the flowers begin to bloom, the ribbon will also be cut on Singapore's Shanghai Holdings Group project. The departure from this tract of the more than 3,000 former households will be joyous. Several generations have lived in dilapidated houses, so their hoped for and not easily obtained opportunity to move into a new building will arrive! For the same reason, movement out of the new North Station area also proceeded in stages according to plan. Some households were still moving just before New Year.

What about the situation in the golden triangle area of Taiyuan Street? People stroll along Taiyuan Street many times. That is a colorful and showy gallery of merchandise. However, possibly you know, do you, what is going on in the street behind that is separated by a wall from this neon-lit world? Residents committee chairman Li Rongxian has a family of seven, young and old, covering three generations living in only slightly more than 30 square meters of space including the kitchen. Attached to the side of the bed is a hinged board too narrow for turning over once you lie on it. She, her husband, and a

young daughter take turns on it. This is truly a difficult arrangement. They had to put up a lean-to on a small balcony outside. Sleeping there in summer, it is so stifling that they cannot breathe; and in winter, frost forms around the edges of their tightly covered skulls. The house is so old that the doors and windows sag, leaking when it rains. Is this the case in just a single household? Li Rongxian says: "I am very familiar with the situation around here. Our family's situation may be considered not bad at all because we have a small balcony we can use to form a 'three room suite.'" Her family is just below the tall Zhongxing Building, which is a modernized area. What is it like elsewhere?

Look further at the homes cater-cornered from the tall Zhongshan Building. A walk around the corner and it looks as though a tunnel is being drilled. A dark corner of the wall has nothing but a door to one house after another. Inside, there is not enough room to turn around in. In the narrow space, the people have to put up a "high level structure"—a hanging bed. More than ten families share a water trough, the faucet of which gurgles day and night. Outdoors, during extremely cold weather, it freezes unless it is left running. None of the families has a kitchen with running water or drains. The road outside the dwellings, which was never wide to begin with, has been made even narrower by the small sheds that every family has built there. The sheds are filled with coal and firewood to the tops. Should a fire occur, never mind getting a fire truck in, escaping from the place would not be very easy either. The utilization rate for the public toilet outside the gate is fairly high. The matter of first importance for residents when they get up each morning is to stake priority rights for urination and defecation....

In the Taiyuan Street affluent area, more than 5,000 households occupy small single story and two or three story buildings where conditions are rather poor. Since the Shenyang authorities are well aware of this, why wasn't renewal done long ago? The treasury did not have the money, and if a house development company intent on making a profit were to be depended on, by the time the large number of households to be moved were provided for, not much commercial housing would be left, so who would be willing to put up the capital? Now that the municipal government has seized the opportunity to transfer land to foreign businessmen, 2,326 households in the golden triangle area can get out of their hovels and into new buildings, the average living space per household increasing from 16 to 50 square meters. Is a blessing for the people? Or is it a curse?

For the 502 commercial firms that will have to be moved as a result of further planning for the renewal of the golden triangle area, will it be an advantage or a disadvantage? One sharp contradiction these firms have generally faced in recent years is that they want to expand, but expansion in these old and dilapidated shops is extremely difficult. Yunyuan Hotel, which has been in business for nearly 100 years, has long since outlived its reputation. When Messrs. Mei Lanfang, Ma Lianliang, and Qiu Shengrong came to Shenyang, they unloaded

their opera costumes at the Yunyuan and sampled the distinctive ambience. It was such a famous hotel. Now when it rains in, the workers continue working inside and out with plastic over their heads. In recent years, the number of staff members and workers, expenses of various kinds, and the flow of customers have all increased, but there is no way to increase the business area. They really have no way out. They moved some desks to put in several dining tables. The hotter the Shengsheng Photography Salon's business became, the more it worried about its inability to put in new booths. For several years in a row, the Heping District government's administrative bulletin talked about changes at Shengsheng, but nothing ever came of it. What can be done? Apply a band-aid by moving several nearby households, or build a third story on the two story building next door. It figured every way to fit in added equipment. The Oriental Pharmacy's buildings had become ramshackle. Two of its warehouses were rented. The medicine that this pharmacy sells cannot cure the illness that comes with the aging of a cramped building. New China Bookstore on Taiyuan Street is the largest bookstore in the city, but it handles only half the kinds of books that Beijing's Wangfujing Bookstore sells. For the past several years, the Qinyuanchun Market ha constantly filed reports with higher authority reporting an emergency, in 1992 the provincial construction research institute made some tests and called for immediate changes. A major change? No money. A small change? Once several walls in the middle were moved, the whole structure would collapse...

In this affluent part of the city, business is quite good, yet no establishment has the money to demolish and rebuild. Managers of enterprises such as Yunyuan, Shengsheng, Qinyuanchun, and Peace Groceries approached foreign businessmen hoping to go the road of rebuilding through a joint venture. But even if foreign capital could be brought in, all that could be done was build single units on the old pattern. Liu Zhihua, manager of Yunyuan Hotel said: "The things we wanted to do but did not do have been fixed by the city. For Yunyuan, it is the same situation as it was for the houses, a chance to use the move to rise skyward!"

Shenyang City's decision to transfer land to foreign businessmen is not only crucially important to the enlivening of the whole city, but it is in the basic interest of both the households and the businesses that are moving. They are the most direct beneficiaries.

The households and business that are to be moved from Taiyuan Street are very much concerned about what their new address will be. For long-time residents of Taiyuan Street, shopping, going to the doctor, and getting public transportation has been convenient. In a place where land is worth so much, there were many ways to make money. Staff members and workers on long vacations might take temporary peddler jobs carrying two baskets of oranges, and return home at the end of the day clutching one or two 10 yuan bills. By adding a little color to it, cold water could be turned into money.

Consequently, they fear that their new homes may be located in some remote place. The Shenyang municipal authorities decided to make the area in Heping District between Fifth and Eighth avenues the place where they would be relocated. Most of the residents will live in new apartment buildings here. The businesses that are moved will be clustered by type of business into a large bazaar in the Golden Triangle area. They will have their original space plus some more if they want it, and a charge will be made within substantial limits for only work and materials. Additional space will be charged for at the commercial real estate price....

The residents and businesses that are to be moved hope they will not have to go to some temporary place, but move to their new locations in a single change. This is not possible. The tract of land between Fifth and Eighth avenues is just now in process of tearing down the old houses and breaking ground. The future bazaar is still on paper. No one can magically bring forth over night a row of apartments, balconies, pavilions, and accommodations. The outlook is very good but difficulties exist at the moment. Some managers who have the head and the vision of entrepreneurs used their brains and made positive plans whereby they could stay in business and continue to make money during the transition period when they were moving. Some had conflicting ideas. They admitted that the move was good and necessary, but they wore a frown about the hardships they faced. They felt they might continue stay put in their old nests. Best of all, the government might take responsibility alone for solving their difficulties.

In discharging its responsibilities, the Shenyang Municipal Government assembled competent cadres whom it organized into a Shenyang Municipal Land and Housing Development Group. They set up a leadership team and an operating organization in the Taiyuan Street area to handle the move. In view of the complexity of the Taiyuan Street district move from a side area, they conducted a thorough survey on the basis of which they drew up policy regulations of a legal character. The government would resolve in accordance with policy the complex interest relationships resulting from the tearing down of the old and the building of the new, compensating losses resulting from the move. It planned ways to conduct the move in stages, reduce the time when business was halted, and use the limited business area to greatest benefit. For business that could not move to their new location in a single action, the government planned four or five business areas in courtyards, and it was preparing to arrange for them to continue doing business there. If they were not large enough, it would lease some offices or other buildings suitable for business activity in order to maintain the basic interests of existing businesses and hold losses down to the minimum. Even so, this did not attain the optimum limits for government alone taking responsibility for all difficulties. But since both the business and the households being moved would be the beneficiaries of wonderful prospects, they should also be the ones to overcome

present difficulties and have a sense of responsibility. Isn't this the only sensible way?

During the first several years of renovation of the Taiyuan Street area, Zhonghua Road was dug up for a time in order to install water lines, gas lines, heating ducts, communications conduits, and roads. This was basically for the benefit of most businesses and residents. Nevertheless, some people cursed because dust blew into their shops and they had to carry their bicycles across open ditches. Today, their businesses are doing much better than before Zhonghua Road was dug up. To make everyone happy without every business sustaining some loss is a task that not even the gods can accomplish. A major change can scarcely avoid affecting some corners and individual interests. Some eggs have to be broken to make an omelet. However, some people care nothing about the greater good; they care nothing about fundamental interests, even their own and their own businesses. Instead they brood about immediate interests. Some barbed remarks made out of a sense of wrong occur because of this. No pain, no gain. They can only age in their original location and continue to pass "peaceful days."

Shenyang's transfer to foreign businessmen of use rights to some state-owned land was a good move that killed many birds with a single stone, yet some people regard it as a strange move, and even as a bad move. Actually such moves are very normal and very usual in many of the developed countries and regions of the world. New York has its Chinatown, and both Los Angeles and San Francisco have a Chinese street and a Korean street. People do not care what country you are from. So long as you are willing to spend money and abide by local city plans, you can buy land, build buildings, and do business. When you have no longer have any use for them, you can resell them. Recently, several real estate development companies in Shenyang spent a total of \$2 million on several parcels of land in several American cities without any Americans making a fuss. Italy and Australia also transfer land for international businesses. One of the reasons why Singapore, one of the "four small dragons" of Asia, has developed so rapidly is its use of land to attract foreign businessmen. It still continues to attract them. Hong Kong's prosperity today also stems from having taken this road.

Already developed countries and countries and regions on their way to becoming developed understand the extreme importance of bringing in world capital and widening international exchanges. Attracting wealth and the newest science, technology, and culture from foreign realms can be a short-cut to accelerating the development of our own country, and land transfers are the most effective ways of realizing this goal. What kind of international city would Shenyang be without any fixed assets of foreign businessmen (to say nothing of several streets where foreigners live)? No matter how loudly one may shout slogans about large scale production, large markets, and large scale circulation of commodities, this has no more effect than the vibrations created at the echoing

wall at the Temple of Heaven. Such insularity is not much different from the times when people regarded the sight of a big-nosed, blue-eyed person as freakish.

Shenyang's use of some land transfers to attract foreign businessmen is a good thing, and it is also a troublesome thing. An old saying has it that "moving once is like having three fires." Today, several sections of the city have to be reborn. Large numbers of residences and businesses have to move. Is the trouble like dealing with large fires in several places? On the basis of past experience, most of the people are sympathetic and understanding about the need to move, but a small number of collective thorn-in-the-flesh households take the opportunity to run a racket, and frequently they gain the support of authorities at a higher level who protect the "little guy." How can these collective thorn-in-the-flesh households be removed without hurting the overall interests? How can the movement of one after another advancing construction teams be coordinated with shops that are still doing business. The affluent section of the city turned into a construction zone, how can traffic all over the city be re-regulated? All these problems and more are vast projects not covered by the engineering drawings that have widespread ramifications and that are much more daunting than the importation of foreign capital. Unless they are handled well, the situation will be a mess or large mishaps may occur. Conversely, they may turn into a condemnation of what was originally a correct decision. To do an unprecedented task requires an unprecedented intensity of work to support it! Some difficulties are such that no specific government agency can solve them. Most of all, reliance will have to be placed on those in the front lines, and forces from all quarters of the city assembled and organized to coordinate actions, and to conduct a collective attack on difficult problems. In addition, the understanding, support, forebearance, and help of people throughout the city as well as the whole province will be needed.

It is hoped that the project for the construction of several future affluent areas in Shenyang will become a resplendent milestone in crossing into a new century and orienting toward the world!

FOREIGN TRADE, INVESTMENT

Sichuan Aims To Expand Trade With Southeast Asia

93P30036A Chengdu SICHUAN JINGJI RIBAO
in Chinese No 23 Feb 93 p 1

[Summary] Sichuan has adopted a series of new policy measures designed to improve trade relations with Southeast Asia. These measures include:

- 1) Expanding overall trade and increasing import-export authority for enterprises involved in foreign trade. Apart from procedural fees, no conditions should be attached to increased foreign trade activity.
- 2) Organizing foreign trade companies in open border ports, integrating foreign, local, and border trade. Newly established enterprises outside China's borders need not

hand over their profits for the first five years after start-up. Local development projects or investments in Sichuan will enjoy the preferential policies designed for foreign-invested enterprises.

- 3) Increasing the rate of establishing large, internationally competitive enterprise groups by providing preferential loans and reducing taxes.
- 4) Encouraging technical personnel to set up factories abroad and transfer technologies. The province will support this with favorable treatment regarding materials, funds, and foreign exchange.
- 5) Encouraging state-run, collective, individual, and private enterprises to operate in foreign markets and participate in foreign-oriented enterprise groups and economic associations.
- 6) Organizing funds for special-purpose loans, establishing labor service cooperation funds, and issuing stocks and bonds.
- 7) Appropriately increasing electronic equipment export development fees and the proportion of special-purpose funds. A graduated policy for tax collection and funds will be established.
- 8) Supporting activity involving planning and quota-setting permits, simplifying foreign trade and economic procedures, and enhancing marketing networks.

To ensure implementation of these policies, the provincial government will improve foreign information services and establish a foreign trade and economics team to set up foreign trade structures outside China's borders.

ECONOMIC ZONES

Shenzhen Hong Kong' of Tomorrow

Taiwan Projects Shenzhen-Hong Kong 'Merge'
93CE0298A Taipei CHO-YUEH [EXCELLENCE]
in Chinese No 2, 1 Feb 93 pp 116-119

[Article by Lo Kuo-wei (5012 0948 0251): "A Greater Hong Kong' Is Just Around the Corner—Shenzhen Is Emulating Hong Kong"]

[Text] *Shenzhen, with a history of just a dozen years as an SEZ, is forging ahead toward its goal of becoming more Hong Kong-oriented! While some wonder if Hong Kong's status might be superceded by Shenzhen, others optimistically project that Shenzhen will merge with Hong Kong into a "Greater Hong Kong," or even with the Zhu Jiang (Pearl River) Delta to become another economic dragon.*

The saying "today Shenzhen, tomorrow Hong Kong" is certainly not just empty words. In light of its current economic growth rate, Shenzhen is very likely to be on a par with Hong Kong after (Hong Kong is returned to China in) 1997.

Was not the special southern-tour of Shenzhen by PRC leader Deng Xiaoping in early 1992, to learn about this

SEZ with a history of just a dozen years, a precise advance toward making Shenzhen more Hong Kong-oriented?

Just as Deng Xiaoping said, the PRC authorities are now striving to turn the Shenzhen SEZ into another Hong Kong, or into a fifth little dragon of Asia, in order to fully reflect the hoped-for peaceful coexistence between socialism and capitalism.

But if Shenzhen's economy continues to grow at such a rapid pace, might not Hong Kong's status be superceded by Shenzhen? While Hong Kong's new airport plans are still up in the air because of a bilateral dispute (between the British and Chinese governments), Shenzhen's Huangtian Airport is finished and in use, opening up international routes, and developing in a planned way toward becoming an international airport. Hong Kong has already felt a certain impact in this area alone, as foreign passengers do not necessarily have to enter Mainland China via Hong Kong, but can enter directly through southern China.

Will Shenzhen Be Merged Into a Greater Hong Kong?

Despite the Shenzhen's SEZ's rapid growth, Shenzhen and Hong Kong will not necessarily become competitors, but might instead merge and develop ultimately into a "Greater Hong Kong." As everyone knows, Hong Kong has a limited land supply, with real estate developers already having a hard time finding land to develop, so that when Hong Kong reverts to Chinese territory in 1997, Shenzhen will quite naturally become Hong Kong's optimum hinterland.

Although Hong Kong's New Territories used to be regarded as Hong Kong's suburbs, the New Territories have been developed so rapidly in recent years that they have completely lost their suburban scenery, while Shenzhen has become instead the "new territory" in the eyes of Hong Kong residents. On every holiday now, many Hong Kong residents travel to Shenzhen, with Shenzhen's "Miniature Land" and "Nationalities Culture Village" turning it into a tourist priority for Hong Kong people. The people of Hong Kong see Shenzhen as being just as close as the New Territories, with Hong Kong merchants who set up shop in Shenzhen being able to come and go between Hong Kong and Shenzhen at will with the credentials so acquired. Many Hong Kong merchants work in Shenzhen during the day, returning to Hong Kong at night to sleep, so that Shenzhen has long since become a part of Hong Kong.

In fact, while Shenzhen was the first choice of Hong Kong merchants for setting up shop on the mainland in the early 1980's due to its cheap land and labor, Shenzhen's economic takeoff has left setting up shop in Shenzhen no longer very profitable, so that Hong Kong firms are tending to set up shop further north in places, such as Dongguan and Huizhou. In other words, Shenzhen's development toward tertiary (service) industries just happens to coincide with Hong Kong's aspirations. Skyscrapers and mansions are now constantly springing up in Shenzhen like bamboo shoots after a spring rain.

The Shenzhen and Hong Kong Real Estate Markets Are Closely Linked to Each Other

In addition, Shenzhen and Hong Kong are alike in their thriving stock and real estate markets. While the sale in 1992 of stock-subscription tickets led to a feverish wave of long waiting-lines to buy them, even touching off a tide of chaotic disorder, this incident has certainly not hampered Shenzhen's stock market development. There will be new company listings in the future, including certain Hong Kong companies with sizeable mainland holdings that want to be listed on the Shenzhen Stock Exchange, such as the Hong Kong Chianingno Food and Drink (Catering) Group.

Meanwhile, sizeable Shenzhen companies with potential, and even state-owned units, have applied to be listed on the Hong Kong Stock Exchange, so that Hong Kong and Shenzhen enterprises will someday be able to be listed and traded simultaneously in both places.

As 1997 approaches, the Shenzhen and Hong Kong real estate markets are becoming even more closely linked. Current real estate prices per sq ft are \$2,500-\$2,700 HK in the New Territories' Shangshui District, and as high as \$1,500 HK in new Shenzhen skyscrapers, and it is believed that the Shenzhen-Hong Kong real estate price gap will shrink sharply after 1997.

In fact, all of those who plan to remain in Hong Kong after 1997 hope to buy mainland real estate, particularly their old homes. There has been an upsurge in the past year of Hong Kong people buying houses on the mainland real estate market, including retirees returning to their native land, investors, and returnees to the mainland.

Unofficial statistics show that Hong Kong residents have invested 10 billion yuan (RMB) in the mainland real estate market in the past year, which has made it very prosperous. On the other hand, even more surplus capital from Shenzhen and the Zhu Jiang Delta has been going to Hong Kong for large real estate purchases. For instance, a concerned organ in the City of Nanhai has raised \$3.8 billion HK to take part in Hong Kong's highest priced procurement plan at No 9 Hsuehch'ang Street in the Central District.

A Super-Hong Kong Will Surpass All of the Little Dragons

During this period of rapid economic growth in the Zhu Jiang Delta, many enterprises are accumulating profits, which they are investing primarily in real estate. In addition, the traditional Chinese priority on real estate is providing bright prospects for real estate development in Shenzhen and the Zhu Jiang Delta. Joint speculation in the mainland real estate market by Hong Kong and mainland organizations will bring dramatic growth to the mainland building construction market, with Shenzhen being bound to be the primary investor due to its geographical advantage of proximity to Hong Kong.

Another key factor tying Shenzhen and Hong Kong together is their transportation infrastructure. This is the

main artery between Shenzhen and Hong Kong, including the Guang-Shen-Zhu Expressway linking Hong Kong and Shenzhen with Guangzhou and Zhuhai. Meanwhile, a Hong Kong financial consortium is also proposing to build a Shenzhen light rail system from Shenzhen's Huangtian Airport to downtown Shenzhen, which will be eventually extended to Yuanlang as the last stop in Hong Kong's New Territories.

In short, while Shenzhen and Hong Kong are bound to be merged into a "Greater Hong Kong," the even greater long-range development prospect is that the Zhu Jiang Delta will finally be developed into a "Super-Hong Kong."

The Zhu Jiang Delta has an area of over 44,300 sq km, including cities, such as Guangzhou, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen, and Nanhai, and the Shenzhen and Zhuhai SEZ's. It accounts for one-third of the population and almost one-fifth of the gross output value of Guangdong Province.

The 1991 statistics give the Zhu Jiang Delta a gross output value of \$16 billion which, added to Hong Kong's \$78 billion, makes it comparable to Asia's little dragons, such as South Korea and Taiwan.

Shenzhen Vice Mayor Interviewed

93CE0298B *Taipei CHO-YUEH [EXCELLENCE]*
in Chinese No 2, 1 Feb 93 pp 120, 122

[Interview with Shenzhen Vice Mayor Zhu Yuening (2612 1878 1337) by correspondent Shen Wen-tz'u (3088 2429 1964); place, date, and occasion not given: "We Have Opened Up Our Gates to the Whole World"]

[Text] [CHO-YUEH] As the machinery and electronics industries account for one-third of the investment projects approved by the Shenzhen municipal government in 1992, while others, such as the garment and leather industries, are no longer much seen, does this mean that you no longer wish to attract labor-intensive industries?

[Zhu Yuening] Our current policy is to strive to acquire high-tech industries, with our development priorities being industries that combine technology with labor.

Nevertheless, we are certainly not abandoning purely labor-intensive industries, but rather are dealing with them individually aimed at various localities.

But in fact, as our SEZ is already faced with rising labor costs and steadily increasing real estate prices, the expansion of purely labor-intensive industries here has run into difficulties. While this means that some must shift to other places, it is due to economic laws and an expansion process, rather than being a situation that any locality or government can change at will.

Shenzhen Has Geographic Advantages

[CHO-YUEH] Does Pudong's development mean that the central economic development planning has shifted toward Shanghai and that policy preferences and fund disposition have been prioritized to the Chang Jiang

(Yangtze River) valley and Shanghai, and is this shift of investment momentum from the coast to the interior having an impact on Shenzhen?

[Zhu Yuening] China's enormous size does not mean that we can give priority to one area at the expense of another. For instance, just as parents cannot love one of their children more than another, I believe that this problem does not exist because we are like one family growing together.

There is no reason to be overcritical just because Taiwanese manufacturers are currently taking an interest in Shanghai. This is because Shanghai really has its own advantages, having always been our strategic place of economic growth, with not only much talent, but also rich industrial bases and technological forces, as well as great markets per se.

But Shenzhen also has very unique advantages, because we have been open for a dozen years and have moved more quickly, so that we have already built up a certain policy and market economy foundation.

In addition, as we have attracted so many international enterprises, made so many contacts, and learned so much, we have more of a common language and can solve conceptual problems faster.

Furthermore, we have an advantage that could not be changed by a whole generation, i.e., our proximity to Hong Kong and the international market. As great changes have taken place in these dozen years in our ports, airports, and transportation, which have further highlighted our distance advantage, what have we to fear? We are afraid of nothing.

Shenzhen Is Both Friend and Foe to Hong Kong

[CHO-YUEH] What is the real aim of the consistent proposal of Shenzhen officials to "create a Hong Kong?"

[Zhu Yuening] This proposal by Comrade Deng Xiaoping to "create a Hong Kong" means practicing a market economy. We need to practice a market economy that is both standardized and truly in line with international practice, as well as having distinct Chinese characteristics.

[CHO-YUEH] What will be the future relationship among Shenzhen, Hong Kong, and Guangzhou (Canton)?

[Zhu Yuening] As so many Hong Kong enterprises are moving to Shenzhen, Shenzhen and Hong Kong will naturally develop increasingly as one.

While our early relations were one of mutual assistance, we are currently in a trend of mutual competition.

The first stop in Hong Kong's industrial shift abroad was Shenzhen, and the second one was the Zhu Jiang Delta around Guangzhou. And the move to Shenzhen has evolved in a dozen years from the early-stage reception of proliferating labor-intensive industries from Taiwan and Hong Kong to today's growth of high-tech industries, with tertiary industries as the mainstay.

While Shenzhen did not used to sanction the entry of retail and trade industries, we began to open up our gates in 1992, providing more complete trade access to Shenzhen both domestically and abroad, which will give us a clearly competitive relationship with the great international trade port of Hong Kong after 1997.

There Is An Urgent Need for Taiwanese Firms To Clean Up Their Image

[CHO-YUEH] What will be the impact of 1997 on the economic growth of the Hong Kong-Shenzhen-Guangzhou region?

[Zhu Yuening] Some are already saying that Hong Kong and Shenzhen, including the Zhu Jiang Delta, will evolve into a greater metropolitan area. As this trend is already quite evident and in line with economic laws, why wait for 1997? Without the most elemental drive of our reform, opening, and advantages, why would Taiwan and Hong Kong be moving their factories here?

[CHO-YUEH] While pushing forward with economic reform, does not Shenzhen seem to be lagging in the pace of social reform, even with some aspects of social disorder?

[Zhu Yuening] It is not that negative aspects do not exist, as the profit-before-all mentality has always been around. But our current society contains other unhealthy aspects, such as prostitution, gambling, and drugs. While these are things that we must not only firmly resist, but also sharply crack down on, they are part of a necessary process, and can never be completely eliminated.

Nor can we say that these things have appeared only because of our economic reform and opening, or blame these problems completely on our having opened up our country to the outside world. While opening up a window lets in fresh air, it also unavoidably lets in a mosquito or two. But we cannot close the door just because a mosquito may fly in. Rather than breathing stale air inside a room, it is actually better to breathe fresh air.

[CHO-YUEH] What is the current difference in approach of Shenzhen's two major foreign investors—Hong Kong and Taiwan?

[Zhu Yuening] I will quite frankly give my personal opinion. While we now have more Hong Kong than Taiwanese firms, investments in Shenzhen by Taiwanese firms are growing quicker. We had only a little over 360 Taiwanese firms in 1989, but these had grown to almost 1,100 by the end of November 1992.

I will confess that Taiwanese investors need to clean up their image. While most of them are quite fine, a few Taiwanese businessmen certainly have bad images, practicing chaotic management within factories and even keeping concubines outside.

Perspective on Stock Market

93CE0298C Taipei CHO-YUEH [EXCELLENCE] in Chinese No 2, 1 Feb 93 pp 124-126

[Article by Cho Yu-fen (0587 5148 5358): "Shenzhen's Sharply Fluctuating Stock Market—The Rush To Catch Up By Shanghai's Stock Market Is Bringing Sizeable Outside Listings"]

[Text] *While its location in an SEZ makes Shenzhen's stock market very attractive, the rush to catch up by Shanghai's stock market is forcing Shenzhen's stock market to promote outside listings, draw in outside members, and issue more B shares. Faced with this succession of challenges, will it really be able to power Shenzhen into a South China economic center?*

PRC Premier Li Peng's southern inspection tour in early 1993 had the beneficial impact of pushing up the Shenzhen stock price index, with the question being: will this reaffirmation of concern for Shenzhen's stock market by the CPC authorities be able to transform Shenzhen faster as hoped into a southern Chinese business finance center?

While Shenzhen's residents are still engrossed in the outward appearances of economic prosperity, the Shenzhen authorities, who are faced with competition from all sides, have begun to reflect on "what to do about Shenzhen?" So their calls for expanding the shareholding system, speeding up stock market development, and reforming and opening up more thoroughly, seem to be more resounding than ever.

In another area, statistics show that Shenzhen enterprises own only 22 percent of their own funds, with the rest being borrowed from banks. So it is hoped that Shenzhen's economic development conflict exposed by such high-debt operations can be resolved through money markets.

Outside Listings Are Opening the Market

The over hundredfold rise, in the short period of about 20 days in the first half of 1990, in the prices of all of the first five stocks listed on Shenzhen's stock market, aroused the attention of all. And the spectacular scene of a million people rushing to buy stock subscription tickets in August 1992 proved once again that Shenzhen's sharply fluctuating stock market is still no less attractive than ever.

But faced with the rush to catch up by Shanghai's stock market, Shenzhen's stock market is being forced to strive for breakthroughs, so that its development directions have become issuing B shares faster, and promoting outside listings and outside members to expand its market share.

Even the cold night winds and dim lights once could not suppress the enthusiasm of stockholders at Hongli Road. In the days of over-the-counter trading, some simply could not help bringing stocks and others money to Hongli Road (the location of Shenzhen's only previous stock company) where, as long as a price could be agreed

upon, Shenzhen residents would not let any opportunity pass to make money by trading stocks.

But centralized trading has ended Hongli Road's prosperity, with stock business sites springing up in all places throughout Shenzhen along with entities, such as bank securities departments, finance companies, and trust and investment corporations, so that the Shenzhen Stock Exchange's members have now grown to 172. Of these, 152 are outsiders, 14 of which "outside probationary members" have already begun test operations. The new exchange building can accommodate 210 seats, which will provide ordering lines between "market representatives" from all areas and localities.

This active opening up to outside members and listings is presented as disproof of Shenzhen's stock market future, as Shanghai's stock market will become mainland China's national financial center, while the Shenzhen Stock Exchange will be taken over by and finally become just a part of Hong Kong's stock market.

Enterprise Conversion Depends on Market Listing

Shanghai's stock market advantages are Shanghai's solid industrial base and many enterprises that are much larger than those in Shenzhen, which provide a fine basis for sources of companies to be listed on Shanghai's stock market. On the other hand, Shenzhen has far less companies of listing size, with all but seven of its over 160 original joint stock companies having been screened out, so that it will be dependent on outside companies and listings for its future listed-company sources.

While Shanghai's stock market is similarly facing competition to develop outside listings, Shenzhen's SEZ status makes its accounting and legal systems more flexible, so that Shenzhen is more attractive to companies from other provinces. In addition to the two groups totaling 26 enterprises in Guangdong Province that have formally applied to issue shares to the public, as well as the seven enterprises that have been approved by the State Council Examination Commission, many other enterprises from other provinces, such as Beijing's Guangshun Real Estate, have decided that they absolutely must become listed.

As to the outside enterprises lining up and waiting to be listed in Shenzhen, a SHENZHEN TEQU BAO reporter says frankly that "while Shenzhen enterprises are more impatient!" the number of new stock listings that are possible each year is not a matter like a quota that the Shenzhen authorities are completely in control of, because instituting shareholding and then applying to be listed has become the best conversion option for mainland Chinese enterprises.

On the other hand, the Shenzhen Stock Exchange points out that Shenzhen's proximity to Hong Kong is a great help to its expansion of B shares. Regretably, although the B-share primary market was very quickly bought out, the A shares have broken out of their months of slump and been rising steadily, while B shares are not moving. As B shares are limited in quantity, most of them were

bought up by corporate institutions and funds when they were first issued, with the fund style of holding for the long-term and waiting for the right price to sell having inadvertently frozen the B-share secondary market to the point of successive days of zero trading.

So the Shenzhen Stock Exchange indicates that it will start more B-share listings in 1993, is considering selling them to individuals instead of only to corporate institutions, and is studying lifting its ban on primary agents, so that investors will no longer have to buy B shares only through two brokerage firms. This will help to free up the secondary market.

The Well-Funded A Shares Have Recovered Quickly

How to stimulate B shares has become a major problem for Shenzhen's stock market. The impact created by Beijing's demand that nine major mainland Chinese reorganized shareholding enterprises be listed in Hong Kong, has already led to cries of unfairness by the B-share market.

But the richly endowed A-share market, driven by Shenzhen's rapid economic growth, has recovered quickly from its slump, and certainly did not stay long at its low point. By the end of November 1992, Shenzhen's RMB deposits balance had reached a high of 54.2 billion yuan, up 24.1 billion yuan, or 80 percent, from the same time in 1991. These funds naturally were covetously eyeing the A-share market. This, in addition to the funds on Shenzhen's periphery that were ready to move, makes it quite easy to understand why Shenzhen's stock market has been able to make such a successful comeback.

While these two or three years of fluctuating growth of Shenzhen's stock market have left Shenzhenians increasingly skilled in stock knowledge and judgment, the outside investors who were brought in to expand the market and attract more outside members certainly do not have as mature an understanding of stocks as Shenzhen residents. As many of them are still stuck in the stock-understanding stage of Shenzhen residents two years ago of "going with their feelings," their entry often brings irrational stock market growth.

A billion shares of A stocks will be listed in 1993. While the capital-profit ratios of Shenzhen's listed companies are already all too high, these listed companies are all still in a high-growth stage, so that they are still very attractive to investors.

Rich Profits of One for One Are Anticipated

The Development Bank, which is known for its hot-selling stocks, multiplied its earnings many times after instituting shareholding. In 1992, it paid bonuses and interest of two to one, in addition to over 10 percent cash dividends. In 1993, aided by a transfer of after-profit surpluses into capital stock, investors will receive a bumper gain of one for one. Analysts believe that the divided-rights stocks will return to a price of 20 yuan, which will be the lowest price for Development Bank shares, and that additional rights can naturally be expected.

Since the Shenzhen branch of the People's Bank of China issued a notice requiring all listed companies to prepare well for their 1992 fiscal year bonus sharing and interest payments, the longstanding concerns of Shenzhen stockholders over matters, such as listed companies' transfer of surpluses into additional capital, and bonus and interest payments, have all been settled, and stockholders have begun to acquire a mindset of "planting one grain in the spring and harvesting 10,000 in the fall."

While some investors are certainly still engrossed in anticipated share divisions and bonuses, a number of others are nervously involved in stock market rustlings, with only 1 day's board changes making impatient investors willing to pay 100 yuan RMB to buy first place in the lineup at a specialty window, fearing only that they will not make a killing if they are late.

Shenzhen Businesses Surge

93CE0298D Taipei CHO-YUEH [EXCELLENCE] in Chinese No 2, 1 Feb 93 pp 128-130

[Article by Cho Yu-fen: "Shenzhen's Enterprise Listings Give It Added Bargaining Chips—Increased Shares Provide a Way To Raise Additional Capital"]

[Text] As becoming listed on the stock exchange is the best enterprise option for raising capital and expanding operations, Shenzhen's stock market development is just the thing to provide growth opportunities for mainland Chinese or Taiwanese and Hong Kong enterprises.

Shenzhen's stock market development, in addition to bringing investors a fine investment channel, is also providing Taiwanese, Hong Kong, and Mainland Chinese enterprises with growth opportunities, of which the respective experiences of the Development Bank, Yuan Ye Industries, and Cankun Enterprises are the best cases in point.

The Development Bank Has Won Out By Offering Increased Shares To Raise Additional Capital

The Development Bank, which is a consortium of six rural credit cooperatives within the Shenzhen SEZ, converted to shareholding, which has enabled it to operate independently, have the sole responsibility for both its profits and losses, and become Mainland China's only financial enterprise that issues shares to the public and is listed on the open market.

In addition to providing traditional banking services, the Development Bank has not only vigorously expanded its trust, leasing, and securities businesses, but also participates in material investments, as well as steadily expanding into the interior by shifting investments to real estate companies. It also holds stock in Hainan's Nanhua Financial Corporation, as well as having investments in Shenzhen's biggest export-earnings company—Jiafeng Textiles, and another listed company—Jintian Industries.

The Development Bank is a dual-winner from both its business operation and outside investment incomes, which have enabled it not only to establish smooth proxy

relations with banks in the world's major financial centers, but also to increase its profits in a short five years from 8 million yuan (RMB) in its first year to 150 million yuan in 1992, with profits expected to top 200 million yuan in 1993.

In addition, the Development Bank has been able to smoothly expand outward because it has offered increased shares to raise capital through money markets. Through five such capital increases, it has attracted almost 400 million yuan in share funds, which have paid for its shift of investments. In order to more successfully sell extra shares to raise additional capital, and to increase the circulation of Development Bank shares, it has lowered the original face value of its shares from 20 yuan to 1 yuan.

In addition, while the wave of selling on Shenzhen's stock market since July 1991 had depressed investor morale to an extreme low, the Development Bank was so up on its own company operations that it joined the ranks of exchange saviors. While its 200 million yuan of market relief funds at the time faced a 5 billion trading volume, so could not be called a small risk, Development Bank Vice President Zhao De [5128 1795] says that since that year's Development Bank shares at a face value of 1 yuan earned profits of 1.3 yuan, how could we not have the confidence to put up our own stock? So the Development Bank was the biggest winner from that sharp downturn.

Noncapitalized Business in Yuan Ye of Hong Kong Investors

While Yuan Ye Industries used to be Shenzhen's largest listed company, its business is now suspended due to legal litigation. The Shenzhen Stock Exchange points out very sadly that while Shenzhen has done its utmost to attract foreign investment to its development process, its lack of experience and caution often not only have left it unable to attract foreign investment, but also have enabled foreign investors to earn large sums at a steal, of which the Yuan Ye Co is a prime example.

It is understood that while the Yuan Ye Company was originally a joint-venture textile mill between Mainland China and three Hong Kong merchants, which held stock rights of 51 percent and 49 percent, respectively, its irrational operations later led to a bilateral dispute in which the Hong Kong side decided to withdraw; this tussle allowed a third party to benefit.

Another Hong Kong merchant (currently the majority shareholder in the Yuan Ye Company) expressed an interest in joining, shifting his funds invested in a mainland garment plant as his partnership fund, instead of bringing in funds from Hong Kong.

But once this Hong Kong merchant became a shareholder and discovered that the materials that the Yuan Ye Company had bought early on had increased in value, he demanded that the Chinese side conduct an assets reassessment, and that the reassessed increased value be distributed according to his stock rights, which resulted

in the Hong Kong party getting back his original funds that he had shifted from his garment plant. So this whole arrangement enabled the Hong Kong party to acquire majority stock rights without putting up a penny.

Then Yuan Ye exploited the Shenzhen SEZ's preferential banking climate to wantonly operate in debt to banks, later applying to be listed and taking advantage of money market funds to expand its operations, and finally, in an attempt to take out funds and invest them in another country, being reported to the authorities by several of its lending banks. The current issue involved is the original sham investment, in which the Hong Kong merchant was able to fraudulently acquire majority stock rights without putting up a penny. Such stock market manipulation methods show that Shenzhen's stock market must be much more careful about joint-venture enterprise applications to list A shares.

Cankun Enterprises Is Taking Active Steps To Get Listed

Most Taiwanese investments in Mainland China, regardless of the factors, are low-key out of an unwillingness to attract unnecessary attention. And while most Taiwanese investors in Shenzhen are focusing on production line training and management, Cankun Enterprises from faraway Xiamen has applied to be listed on the Shenzhen Stock Exchange.

From an enterprise operation perspective, while Cankun's listing application obviously shows the more positive and active approach of Taiwanese businessmen, the major reasons why Cankun has chosen Shenzhen instead of Shanghai are Shenzhen's proximity to Hong Kong and freer trading, which will enable it to directly find Hong Kong consignees to represent it in issuing B shares.

In light of the current situation of mainland enterprises competing to get listed, it seems to be particularly hard to apply to get A shares listed purely through foreign investment. And since Yuan Ye's problems came to light, it is harder than it was for joint-venture enterprises to get A shares listed. So applying to get B shares listed to raise funds from abroad is comparatively much easier.

While the application conditions for all companies to get listed in Shenzhen are more than 20 million yuan in capitalization, with after-tax profits of 8 percent for the two years preceding the application and more than 10 percent for the last year, the management regulations are that wholly foreign-owned enterprises must first institute shareholding, and then get the approval of the People's Bank of China, the State Council, and the Foreign Economic Relations and Trade Commission.

The analysis of financial accountant Wang Fu-yi [3769 1381 5030] is that most enterprises that apply to issue B shares will need more fund investment. As Taiwanese businessmen still certainly cannot obtain Taiwanese financial aid for mainland investments, being able to ask for such loans only from foreign or mainland banks,

applying to get listed, in order to raise funds from money markets, will give more initiative to enterprise expansion.

If Cankun in Xiamen can get listed, this could be considered as a good model for other Taiwanese enterprises that have invested in setting up shop on the mainland.

Taiwan's First Investment Stop

93CE0298E Taipei CHO-YUEH /EXCELLENCE/
in Chinese No 2, 1 Feb 93 pp 132-136

[Article by Shen Wen-tz'u: "Shenzhen, as Taiwan's First Investment Stop in Mainland China, Has Become Like a Taiwanese Village"]

[Text] *With its build-up of over a thousand Taiwanese firms, Shenzhen's industrial zone is like a Taiwanese township two decades ago. Once they gradually became familiar with mainland investment operations, Taiwanese firms have changed from joint ventures to independent operations, replaced their individual struggles with a collective approach, substituted high-quality products for low-quality ones, and advanced from small to medium-sized enterprises, which has brought about a replay in Shenzhen of the "Taiwanese experience."*

Shenzhen is Taiwan's mainland Chinese beachhead where, by November 1992, the number of Taiwanese-invested firms had reached 1,093, making Shenzhen the mainland city with the largest Taiwanese investment, of over \$1 billion.

In 1992 alone (up to the end of November), 254 Taiwanese firms rolled into Shenzhen. At Shenzhen's Longhuazhen, it is normal to see large trailers simultaneously carrying Yang Ming, Ch'ang Jung, and Wan Hai containers, shuttling back and forth on dusty roads that are unspeakably crowded due to the large-scale construction that is going on all around, and being a very grand sight to the neighboring Taiwanese firms as they unload and pass by one after another.

Shenzhen Is Reminiscent of the Taiwan of Two Decades Ago

Taiwanese firms in Shenzhen have shifted from their past pattern of individual firms scouting out the way on their own and trying to break in individually, to a calling together of Taiwanese fellow villagers and friends or mid- and down-stream operators in the same industry to a gathering; this arrangement is not much different from industrial zones all over Taiwan.

The work schedule is reminiscent of the Taiwanese countryside of two decades ago where, in unsophisticated townships, one factory after another, with almost a thousand workers each held morning assemblies, doing exercises in unison; where hungry workers wolfed down their noon lunches in mess halls with great appetites, making no secret of the hard work they had been doing; and the end-of-work bells rang in the evening and workers wearing blue uniforms swarmed out of the

factory gates on their return to dormitories, where on the walls hung drying clothes like 10,000 national flags.

The scene is so familiar that it is only at the hard times of abrupt water stoppages and power outages that one suddenly wakes up to the fact that they are in a different country. "There are times when there is no water for five days a week, so that we Taiwanese workers simply have to move wholesale into hotels," says Ch'i Tao-fu [2058 6670 7079], an assistant manager at Hung Hai Precision Instruments, as if he had just woken up from a nice dream.

Most Taiwanese businessmen in Shenzhen live together in groups, some because it provides a defensive system of ties and links that feels better, and others because it enables them to take better care of each other when living in a foreign country where they are weaker in might.

Living in Groups as Neighbors Allows for a Collective Approach

As a certain Taiwanese industrial park in Shenzhen is next to a military base, every December when the soldiers are about to return to their villages, certain armed PLA members invariably arrive demanding certain "souvenirs." So the neighboring dozen or so Taiwanese businessmen, in addition to making sure that each family is outfitted with communications equipment on the same frequency so that they are in communication whenever such an incident occurs, have also organized themselves into a self-defense force that conducts regular patrols. One Taiwanese firm that is more isolated even had to ask for protection from nine Shaolin Temple black belts.

The bicycle industry, which ranks fifth in Taiwanese investment in Shenzhen, now has the largest defense system. It has 35 Taiwanese firms with an investment of more than \$100 million, as well as 27 others that have completed the registration process and are setting up shop everywhere. Taiwan's major bicycle plants in Shenzhen, all the way from Fan Ta (Meili Ta) and Li Yu (Ch'uan Fei) to the parts maker Chien Ta (a major tire maker), are all grouped together.

Independent Operations Are Replacing Joint Ventures

"Taiwanese firms are making money from 95 percent of Shenzhen's bicycles," says Fan Ta Bicycle assistant manager Lin Yuan-yuan [2651 3220 3293], showing off an amazing report card. For instance, Fan Ta set up shop in Shenzhen in 1990 with an investment of \$8 million, now has 426 employees, completed its testing in September 1992, had an initial output of 15,000 bicycles a month, initially produced mostly mid- and high-quality mountain (dirt) bikes for export to the United States and Europe, and has projected for 1993 an output of about 300,000 and a business turnover of \$24 million.

Lin Yuan-yuan's opinion is that similar Taiwan firms everywhere are secretly planning a foreign and domestic policy of "first producing for export and then breaking into the mainland market," because Mainland China's

bicycle demand is 37 million bicycles a year, or more than five times Taiwan's annual bicycle exports.

So most Taiwanese firms in Shenzhen, whether in the bicycle industry or others, are setting up sales networks in Shanghai in hopes of breaking into the mainland Chinese domestic market, so that they can further expand from simply manufacturing for export to a level of network operations that combines production with marketing.

It is precisely because Taiwanese manufacturers are becoming increasingly familiar with mainland investment operations that they no longer have to take joint-venture partners to help as intermediaries in breaking through official red tape as they did when China first began to open up. And as the PRC is gradually easing its domestic market restrictions on wholly foreign-owned firms, increasing numbers of Taiwanese firms are opting for independent operations in order to keep from being held back by joint-venture partners. "This is exactly the opposite from the way things were when they first arrived here" points out Shenzhen's Taiwan Office director Huang Yaonan [7806 5069 0589] as, by the end of August 1992, more than 40 percent of Shenzhen's Taiwanese-invested three kinds of foreign trade enterprises were independently operated (wholly foreign-owned), only 40 percent were still either Sino-foreign joint or contractual joint ventures, and the rest were "three imports, one compensation" enterprises (1) imports, (2) materials for processing, samples for manufacturing and (3) parts for assembly, with compensation trade).

Shenzhen as the Dominant Partner With Supplemental Taiwanese Help

As their investments have increased, Taiwanese firms have speeded up their pace of development in Shenzhen. Taiwanese firms often used to work in a two-step process of first making minor explorations and then carrying out second-stage expansion plans once things had stabilized. While they still use this conservative two-step process, the successive arrivals of large- and medium-sized enterprises, such as Hung Hai Precision Instruments and Chien Ta Tires, have brought the number of factories with investments of more than \$10 million each up to 16. So the move to Shenzhen by Taiwanese firms has obviously escalated from small to medium-sized enterprises, with the mid-“grade” electronics, industrial chemicals, and machinery industries having replaced the low-“grade” footwear, toys, and umbrella industries.

How to further attract large enterprise groups and high-tech industries to disembark on "the mainland" will be the next key job for Shenzhen officialdom. Huang Yaonan discloses that Ch'ang Jung's board chairman Chang Jung-fa [1728 2837 4099] is very sharply interested in investigating the building of a second deepwater berth at Yantian, while since Ta Chung Computer invested \$1 million in the production of mainframes in Shenzhen, other computer firms are preparing to follow.

Most Taiwanese firms are operating on a far larger production scale in Shenzhen than at their original plants in Taiwan. For instance, Mei Lu Electronics has 800 employees in Shenzhen, but only one-tenth as many in Taiwan, and Hua Hsing Leather is operating in Shenzhen at three times its scale in Taiwan, which gap still does not include underway construction and expansion plans. "Since 1992 all of the big bosses have been coming to Shenzhen to celebrate New Year's with their employees here," points out Huang Hsing Leather director Chou Tsung-kuo [6760 1350 0948], to show how much concern the bosses have for their Shenzhen plants.

Prospects for Leisure-Time Sideline Industries Are Improving

This wave of large-, medium-sized, and small enterprises scouting out Mainland China is also creating another group of rising investors, i.e., professional managers with frequent opportunities to travel back and forth between Taiwan and the mainland and Taiwanese cadres who have been lent to mainland factories, who are following their sensitive business noses to suddenly change into an adventurist vanguard. One buyer for a certain Taipei department store unexpectedly discovered a joint-venture opportunity with a Hong Kong firm on his frequent trips to the mainland to buy gifts and souvenirs from Hong Kong firms, so went on to make brand-name computer film-magazines in Shenzhen.

"All such good opportunities in Taiwan have already been exploited, while the mainland is virgin territory," says one professional manager who travels around Shenzhen trading on his own in brand-name clothing and jewelry, showing in a word that another group of enterprises that ran into bottlenecks has taken advantage of the shift to the mainland to acquire a new lease on life.

While it cannot be said that such adventurist Taiwanese who have moved to the mainland are finding business opportunities everywhere in Shenzhen's business takeoff, they are at least getting an investment outlet there.

Of course, there are Taiwanese firms that have made miscalculations in their moves to the mainland. While the Yao Sheng Plastics Company, which invested \$15 million Taiwan to make eyeglass frames in Shenzhen, originally hoped to get more Japanese orders once lower mainland costs had reduced its prices, it has found out to its dismay that Japanese consumers are very slow in accepting mainland-designed and -developed quality, so "is now being forced to take a wait-and-see approach!" Yao Sheng manager Ts'ai Ming-chih [5591 2494 2535] points out that one of his company's shareholders has been investing in real estate for the last half year, in order to open up new income sources.

Leisure-time sideline income has certainly become another precious money-making tactic for some Taiwanese firms. As Taiwanese businessmen are accustomed to going to karaoke parlors when they get off work, Shenzhen now has nine Taiwanese-run karaoke

parlors. "Some are making more money from their karaoke parlors than from their original businesses," says one footwear manufacturer admiringly but derisively.

As Shenzhen lacked leisure-time entertainment facilities, karaoke parlors and bars sprang up like bamboo shoots after a spring rain once foreign firms arrived. Jung Lien Ceramics has also just taken advantage of this lack to set up in Shenzhen display and sales sites for its Roman ceramic tiles.

And Mei Lu Electronics is planning to invest \$40 million Taiwan to build a 16-lane bowling alley. "The leisure market will have bright prospects," says Mei Lu president Lai Wen-chen [6351 2429 6859], who is planning diversified operations.

Taiwanese Firms Are Helping in Shenzhen's Conversion

As Taiwanese firms continue to invest in Mainland China, the "Taiwanese experience" will gradually flower and bear fruit there. While Shenzhen always used to welcome labor-intensive industries from Hong Kong and Taiwan, Huang Yaonan says that Shenzhen is now converting to new high-tech and tertiary industries, so will no longer accept labor-intensive industries absolutely unconditionally.

If Shenzhen's conversion is to be successful, these sharp-sighted and fast-moving Taiwanese firms will have to both profit from and contribute to the Shenzhen authorities' set goal of "catching up to Singapore's 1990 level by the year 2000, and overtaking the four little Asian dragons by the year 2010."

Case Study: Mei Lu Electronics

93CE0298F Taipei CHO-YUEH /EXCELLENCE/
in Chinese No 2, 1 Feb 93 pp 138-139

[Oral account by Mei Lu Electronics president Lai Wen-chen from interview by correspondent Shen Wen-tz'u: "When Investing in Mainland China, Be Sure To Find the Right Place!"]

[Text] When Taiwan's stock market was overheating back in 1988 and 1989, we were having a terrible time finding workers. Our operations were in even worse trouble by 1990, when we were essentially unable to balance our profits and losses, were hoping that we could at least not sustain losses if we could not make profits, and could not find the 800 workers that we needed.

Mei Lu Electronics began to set up shop in Shenzhen in 1988, setting up a joint-venture electronics company at first that manufactured imported materials, later becoming 100 percent independent (wholly foreign-owned), and increasing our investment twice to HK\$16 million.

Mei Lu Expanded to Shenzhen While Keeping Our Roots in Taiwan

I remember May 1989, when we had not been in operation in Shenzhen very long, and the Beijing Massacre

occurred in Tian'anmen Square on 4 June. While we rushed at the time to send all of our Shenzhen cadres to Hong Kong, their families were still worried, so that we sent them that very night on back to Taiwan.

Who would have thought that just four years later we would now have 800 employees in Shenzhen and be preparing to build two new factories? Our monthly output is now 1.5-2 million telephone receivers, 120,000 each of microphones for singing and for wireless communication, and 1-3,000 microwave ovens. While we are export-oriented, we applied as a wholly foreign-owned enterprise and are guaranteed 20 percent domestic market rights, so we set up a sales and design development site in Shanghai in November 1992. In addition to focusing on the domestic market, we have also hired local designers in Shanghai to conduct microphone design.

In addition to the worker shortage in Taiwan, there is also a short supply of designers, so that Shanghai's soft talent is worth developing. We have now left in Taiwan only 80 workers and 170 intermediary purchasing, sales, and development personnel, where we make our more complex police and air communications microphones.

In order to keep our roots in Taiwan, we have deliberately bought from Japan new product technology, such as fax machines and high-frequency components. But the operators of all of the industries that have moved to the mainland have certainly not really given as much thought or effort to searching out investment opportunities and keeping their production of new products in Taiwan.

Mei Lu's Mainland Product Quality Will Be Up to Taiwanese Standards in Two Years

In addition to our Shenzhen plant, Mei Lu also has one with 350 employees in Thailand. Our 1993 business turnover will be about \$650 million Taiwan, of which 45 percent will come from Shenzhen, 25 percent from Thailand, and the other 30 percent from Taiwan.

According to our internationalization tactics, the products that we make in Thailand are to be supplied to Thailand, Malaysia, and Singapore, while those we make in Mainland China are for export to the United States, Europe, Hong Kong, and Japan.

While Japan is less receptive to made-in-China products than the United States and Europe, 25-30 percent of Mei Lu's output goes to Japanese customers, so that we have had to invite Japanese customers to participate in our Shenzhen operation, asking them to point out defects that we can remedy, in order to make them slowly more receptive to made-in-China products.

In fact, our mainland product quality is certainly not inferior to that in Taiwan, with our mainland-made telephone receivers being likely to catch up in quality to our made-in-Taiwan ones in two years. Mei Lu's telephone receivers and communications microphones now have 25 percent and 20 percent, respectively, of the world market share. Of the 120 million telephones that

are made throughout the world each year, we supply 2.5 million receivers a month, with Guangdong's output having topped 1 million a month, showing that mainland operations are going to be future competitors of Taiwanese firms.

Shenzhen Has a Better Investment Climate Than Thailand

Shenzhen's reform changes have certainly been fast-paced. We were still joking five years ago that Shenzhen and Hong Kong were as different as night and day, as the SEZ lamp was not yet burning brightly at that time, phone calls were still not going through seven out of 10 days, and it was probably not until 1989 that today's bright prospects could be seen.

But the Shenzhen SEZ has now reached the scale of a small Hong Kong, with all of its things climbing in price. For instance, construction space is double its 1992 price of 60 yuan (RMB) a sq m, plant construction costs are up from 280 to 450 yuan a sq m, and wages have risen 15 percent in one year.

Wages are now 350 yuan for workers, 500 for team foremen, 800 yuan for group foremen, and as high as 1,000 yuan for section chiefs.

Despite this, Shenzhen's investment climate is still better than Thailand's, because Shenzhen's language convenience and educational training make it possible to get twice the result for half the effort.

We have brought all of our educational training tapes used in Taiwan to Shenzhen, and invited industrial research institute professors to give lectures on overall quality control. While those trained in courses here need constant retraining that often requires two to three times the training time needed in Taiwan, they have quite good work attitudes and obey well, unlike Taiwanese workers who walk away rudely when crossed.

Finding the Right Place Means Sending the Right Talent

We are now making over 20 percent more of our profits in Shenzhen than in Taiwan. For firms that wish to invest in Mainland China, our advice is to be certain to find the right place, as phenomena, such as whether local officials have blueprints and specific construction and development methods, and whether they engage in connections and covert extortion, are all keys to operational success or failure.

Another item that can be planned for early on is having enough Taiwanese cadres. We are now employing a rotation form in which cadres sent to Shenzhen receive 50 percent higher pay. In fact, Taiwanese cadres have more opportunity to learn in Shenzhen than in Taiwan, because they often have to take charge of things on their own, which helps them to learn just how to run an enterprise. Moreover, their work in Shenzhen is easier than in Taiwan, because Shenzhen workers are more easily managed.

Interview With People's Bank President

93CE0298G Taipei CHO-YUEH [EXCELLENCE]
in Chinese No 2, 1 Feb 93 pp 140-145

[Interview with Wang Xiyi (3769 0823 5030), president of the Shenzhen branch of the People's Bank of China (PBC), by correspondent Cho Yu-fen; place, date, and occasion not given: "Foreign Banks Can Make Profits After Only One Year!"]

[Text] Due to Shenzhen's SEZ status, business liberalization and opening, and numerous preferences, banking in Shenzhen has much room to grow, has become the key pillar of Shenzhen's economic growth, and is posing a threat to Hong Kong with its solid might and potential.

Shenzhen's SEZ status, and the full empowerment of the Shenzhen branch of the PBC by the head office in Beijing, have invigorated Shenzhen banking under the control of the PBC. And since the PRC has granted it so many preferential policies, Shenzhen banking has been acquiring increasing operating space, so is not worried about the possibility of being incorporated into Hong Kong banking.

[CHO-YUEH] Do the studies showing Shenzhen's bank backing explain the growth of banking in Shenzhen?

[Wang Xiyi] Banking reform has been a leading factor in Shenzhen's growth, and was based on the following actions:

1. Shenzhen's banking development pattern has been the establishment of a multilevel, multifunctional banking system led by the PBC (the central bank) and dominated by national-level banks. Other financial operations, such as insurance, trust investment, leasing, credit agencies, and foreign banking, have also been attracted in large numbers by preferential SEZ policies, with the growth of the securities business having enabled money markets to quickly join this financial network.

Banking Services Have Been Opened Up To Competition

2. Shenzhen's "service overlapping" with completely open competition, in which all banks (except for foreign ones) can make RMB, foreign exchange, fixed assets, or working capital loans to state-owned, collective, individual, or the three kinds of foreign trade enterprises, has provided a market with full freedom of competition.

3. Shenzhen's fund management "breakdown" form is much different from that in other provinces and cities, providing that all banks' credit fund distribution does not have to be approved by respective head offices, but is under the control of the Shenzhen branch of the PBC, which has made SEZ fund management not only much more flexible, but also more able to bring its overall might into full play.

4. The Shenzhen branch of the PBC has the right to set its own interest rates, including setting RMB interest rates on its own and foreign exchange rates based on Hong Kong interest rates.

5. Shenzhen's money markets are well developed, with all banks being able to conduct fund calling and control on currency markets, as well as providing stock and bond trading on capital markets. Shenzhen's stock trading value had reached 37 billion yuan by the end of November 1992, with other markets, such as foreign exchange, insurance, and gold (which processes 160,000 tons a year), all growing at amazing rates.

Banking Is Shenzhen's Economic Pillar

In recent years, Shenzhen's banking credit has reached a sizeable scale, including RMB deposits of 50 billion yuan and loans of 30 billion yuan. As 20 percent of the investment and 80 percent of the working capital for Shenzhen's economic development are provided by banks, banking has naturally become Shenzhen's economic growth pillar.

[Wang Xiyi] As all regional development requires primary and secondary industries first to attract banking services, how was Shenzhen able to attract so many banking services in its initial stage of development?

As Shenzhen was China's first economic opening site, and no one could predict whether economic reform would succeed or fail, the central bank only provided 360 million yuan at the beginning to put up a "wire netting" around the SEZ, after which it gave no further funds, and the banking profession naturally took on its financing responsibility;

And as Shenzhen was a reform window with links to the interior and certainly not an isolated island, its initial development quickly attracted other industries, so that a too late entry by the banking profession would have been detrimental to its market share. Of course, Shenzhen's many preferential policies were also part of its allure.

[CHO-YUEH] What are the mutual relations between the Shenzhen region's banking growth and Hong Kong?

[Wang Xiyi] While Shenzhen has financial dealings with Hong Kong, our direct contacts are certainly not close at present. But as indirect business and trade traffic increases when Hong Kong reverts to PRC control in 1997, direct relations should strengthen.

Banks Can Make Profits After Only One Year

[CHO-YUEH] What is your view of the prospects for Taiwanese banking growth in Mainland China?

[Wang Xiyi] I have heard certain Taiwanese say that Taiwan's ruling authorities expect that the banking profession will have to set up subsidiaries in third countries before establishing mainland branches. Such detours are really unnecessary, as Taiwanese banks are all coming in any case to do business and make money!;

I can also disclose that Shenzhen's foreign-invested banks are all making money, with the earnings of some even being quite impressive! And despite the international experience that foreign-invested banks need roughly three years in a new market to turn their losses

into profits, Shenzhen's foreign-invested banks need only to get through one year on average to begin making money.

What can Taiwan's ruling authorities keep Taiwanese banks from doing? I say that if Taiwanese banks want to come here directly "without violating principles," they will certainly receive more preferences, even to the point where I personally will help them by delivering their registrations and applications to Beijing for approval.

[CHO-YUEH] As foreign-invested banks are still restricted from providing services, such as RMB, state-owned enterprise, and personal loans, how can they begin to profit after just one year?

[Wang Xiyi] I believe that the RMB service restrictions will be lifted very soon, and much money is being made now even without RMB business. For instance, fine returns are being achieved from international settlements, real estate loans, and backing of enterprise development in the interior. Moreover, as no region now has as fast economic growth as the Asian-Pacific region, there is great room here for banking development.

High Interest Rates Are Down

[CHO-YUEH] Do not the statistics show that Shenzhen's 18 foreign-invested banks are making more loans than the amount of deposits that they have taken in!?

[Wang Xiyi] They are willing to do this because their returns correspond to the funds that they bring in. If returns were higher elsewhere, they would naturally not bring funds to Shenzhen.

[CHO-YUEH] How has the Shenzhen region's interest rate policy changed?

[Wang Xiyi] While Shenzhen's interest rates used to always be about 25 percent higher than the interior's to attract funds from there, the economies of all areas economies are now steadily expanding, and Shenzhen's former preferences are gradually being withdrawn, so that three or four adjustments have brought Shenzhen's interest rates down almost to the same as those of the interior.

Moreover, as Shenzhen's economy has accumulated quite a bit of capital in a decade of rapid growth, continuing a high interest rate policy would increase enterprise burdens on one hand, while making things unbearable for banks due to too many unloanable funds on the other.

[CHO-YUEH] What lessons have you learned from your recent stock market opening and development experiences? And how will they help to improve your future stock market development?

[Wang Xiyi] If you are referring to the incident of the subscription ticket purchases on 20 August 1992, you should certainly not be surprised at that, as Shenzhen's stock market development has only five years of experience. Just as a five-year-old who has just learned to walk

will experience unavoidable falls, foreign stock markets have experienced such incidents, with Taiwan being no exception. Am I not right?

Large Enterprises Should Not Be Listed in Hong Kong

[CHO-YUEH] The Shenzhen Stock Exchange has expressed an interest in developing Shenzhen's stock market into one of mostly B shares. As one in charge, what are your feelings about such future stock market plans?

[Wang Xiyi] While we should develop A and B shares simultaneously, we should emphasize A shares. And while expanding our A-share market, we will also need to attract foreign funds through our B-share market. But if our foreign exchange makes the transition to a free exchange rate in the future, the B-share market will be unnecessary, and we should evolve to a single market.

But I am personally taking a strong stand against the Chinese authorities' selection of nine large Chinese enterprises to be listed in Hong Kong.

As China's stock markets have just begun to develop, and B shares are in short supply instead of it being the case that no one wants to buy them, we should not move these enterprises with billions or even tens of billions of yuan worth of assets completely to the Hong Kong primary market. Rather, it would be best to first list them on our domestic primary market, and then trade them on secondary markets abroad. Moreover, listing all of these large enterprises in Hong Kong would be bound to be a blow to Shanghai and Shenzhen's future B-share markets.

[CHO-YUEH] Is it true as rumored abroad that Beijing plans to devalue its currency to a level of 10 RMB to \$1?

[Wang Xiyi] While the RMB will have to be devalued eventually from an economic growth perspective, because devaluation will be a help in areas such as our export competitiveness and GATT membership, I do not know what our exact future exchange rate will be.

[CHO-YUEH] Is a major RMB devaluation likely to cause inflation problems?

[Wang Xiyi] If inflation occurs, I think that it will not be due to devaluation of the RMB. I am afraid rather that it will be touched off by overinvestment, economic overheating, and too much credit converted to cash, so that exchange rate changes should not be seen as the major factor in inflation.

Golden Rule in Foreign Investment

93CE0298H Taipei CHO-YUEH [EXCELLENCE] in Chinese No 2, 1 Feb 93 p 146

[Article by Cho Yu-fen: "Shenzhen's Tactics in Attracting Foreign Investment Need To Be Well Published"]

[Text] SHENZHEN TEQU BAO statistics show that an average of one investment recruitment action by various provinces occurs every two days in Shenzhen, with the

one-against-all development tactics of Shenzhen township enterprises in the last decade having become the competitive investment-recruitment target pattern for all provinces.

Chou Shuang-jen [0719 7175 0088], an officer at the Tsu Ch'eng Accounting Firm who has conducted much study of mainland Chinese enterprises, is quite amazed at the economic reform dexterity of mainland enterprises, pointing out that while Mainland China is a region that is short on funds, it certainly employs original methods to attract foreign investment.

The Chinese Side Supplies the Land, While the Foreign Investor Puts Up the Cash

These methods include cooperation among provinces, cities, and townships in setting up a trade development or holding company in Hong Kong as a first step in searching for cooperative partners, along with renting an office in the Zhu Jiang Delta so that trade officials can negotiate with potential investors in Hong Kong at all times. The most ordinary beginning is that the mainland side supplies the land, while the foreign investor puts up the cash, which is the form through which Shenzhen SEZ real estate companies first developed.

But if the foreign investor is unwilling to put up 100 percent of the cash, the mainland side can also negotiate such joint ventures with a higher degree of dexterity. For instance, in establishing a company with 10 million yuan in capitalization, the mainland side will put up 3 million yuan, while the foreign investor puts up 7 million yuan. Then once the funds arrive on the mainland, the company has to buy factory land from the township or municipal government, so that the 3 million yuan returns to the hands of the local government, which then transmits it back to its Hong Kong holding company.

Through such recycling, the holding company has an inexhaustible 3 million yuan, with such multiple effect investment attraction having to be acclaimed as the state-of-the-art of the deal.

In addition, in some joint ventures that mandate domestic sale percentages, the whole "trade committees" of respective provinces are often brought to Guangdong Province, where the Shenzhen authorities are responsible for their travel expenses, adding a "red package" (a cash bribe) to the gifts presented to each "trade committee member," in hopes that their respective provinces will later buy all of their needed goods from Shenzhen companies. This method is employed to ensure domestic sale market aims.

Outward Profit Remittances Are Blocked

Of course, the background of such preferences is the cash, technology, and industrial investment that Mainland China needs. So if Taiwanese investors step into such an investment trap, tasting its sweetness, losing their vigilance, and not keeping new products and technology in Taiwan, their whole product markets will be very quickly surrendered to mainland enterprises.

Another matter warranting attention is that all mainland provinces and cities have to balance their own foreign exchange. While there is certainly no problem in getting foreign exchange out in the initial investment period through purchases of needed raw materials or machinery and equipment, foreign exchange equal to outward remittances must be earned once operations begin. So products being mostly for domestic sale naturally weakens exchange-earnings capacity considerably, certainly leaving little possibility of outward profit remittances.

Mainland enterprises regard foreign investments as "lost souls" searching for markets and cooperative partners. Such a full-scale change of interior-opening mindset was certainly set off by the Shenzhen SEZ's "window" role, with Shenzhen's development pattern having become the favored economic reform model for all mainland provinces.

Ten Predictions Concerning Shenzhen's Economy

93CE0316A Shenzhen SHENZHEN TEQU BAO
in Chinese 9 Feb 93 p 1

[Report by SHENZHEN TEQU BAO's Economic Department: "Ten Major Predictions About Shenzhen's 1993 Economy"; *New economic reform breakthroughs will be made, there will be rapid industrial growth and sharp tertiary industry advances, large-scale infrastructure construction will begin, the foreign investment fever will not cool off, Shenzhen enterprises will continue to invest in the interior, a high tide of construction will begin in the Futian Central District, another export record will be set, the stock market upsurge will begin to subside, the commercial building "bull market will soften," and a number of economic laws and regulations will be put into effect.]*

[Text] Comrade Deng Xiaoping's southern tour in early 1992 touched off a new wave of reform and opening throughout China. And the 14th CPC Congress set the objective of building a new socialist market economy system, which pointed the way for China's economic development. Then Guangdong Province put forth a grand blueprint for catching up to Asia's "four little dragons" in two decades, which Shenzhen, in the vanguard of local reform and opening, combined with its own realities to draw up a "Century-Spanning Decision—Certain Key Tactics for Shenzhen To Overtake and Surpass the Four Little Dragons." All of this shows that 1993 is going to be another key year of economic development for the Shenzhen SEZ.

But what changes might occur in Shenzhen's economy in 1993? The following are predictions by our colleagues at SHENZHEN TEQU BAO's Economic Department:

Prediction 1: New Economic Reform Breakthroughs Will Be Made, With Further Improvement of Essentials Markets, and Some Government Employees "Jumping Ship" Into the Business World.

The release before the 1993 Spring Festival of *Shenzhen SEZ Regulations on the Enforcement of (State-Owned Industrial Enterprise Operating Forces Conversion Rules)*, was a major step by the Shenzhen Party Committee and Government in streamlining administration and devolving authority to lower administrative levels. Just as in the rest of China, state-owned enterprise losses have always been a major puzzle for Shenzhen's economy, with the rapid rise of joint-stock and listed companies bringing increasing pressure to bear on state-owned enterprises in recent years. As there is no way out but reform, Shenzhen Party Committee and Government officials are now placing great hopes on the implementation of these regulations, being very determined and regarding it as a major matter to be emphasized.

The implementation of these regulations means that the government will have to convert its functions, streamline its administration, and devolve authority to lower administrative levels, while enterprises will have to "convert their operating forces." While years of long-standing practice will bring a certain amount of resistance to this job, with some sectors even "devolving authority in name but not in reality," it is believed that once the "shock" is over, breakthroughs will be made in many areas, such as industrial and commercial registration into the new system, so that enterprises will acquire further independence and markedly enhanced vitality. In addition, there is going to be a "real breakup of the order" from central to local levels in 1993. While this structural reform will require certain government functionaries to find another way out by "diving into" the business world, this will not involve large numbers, because Shenzhen has more investment channels, such as stock markets, and government organs are not dovetailed with enterprise "housing reform."

Meanwhile, another priority in Shenzhen's 1993 economic reform will be further improvement of production essentials markets, such as capital goods, auctioning, securities, futures trading, S&T achievement transfer, and personnel talent.

Prediction 2: Rapid Industrial Growth Will Be Maintained, With Sharp Tertiary Industry Advances, New Agricultural Challenges Faced, and the Private Economic Growth Rate Limited.

As the Shenzhen SEZ has focused in the last dozen years on industrial investment, which accounted for 81 percent of its foreign investment in 1992 alone, it has always maintained rapid industrial output value growth. While 1993 is going to be no exception, with the growth rate predicted to be above 30 percent, so that Shenzhen's 1993 industrial output value will reach 47-50 billion yuan, Shenzhen's years of rapid growth momentum will gradually slow beginning in 1993. As state-owned industrial enterprises convert their operating forces, their economic efficiency will improve.

Tertiary industries will grow faster with government encouragement, particularly in higher-grade fields, such as banking, real estate, information, advice, auditing, accounting, and law, where dazzling growth will occur. Businesses, such as chain stores, fast-food restaurants, and brand-name specialty shops, are going to spring up like bamboo shoots after a spring rain. The ratio of tertiary industries to GDP will grow to "about 50 percent."

The land conflict between agriculture and industry, as well as the conflict between the relative efficiency of industrial and agricultural incomes, will grow. Many areas will sacrifice agriculture for industrial and real estate development, which will steadily reduce the area under cultivation and present new agricultural challenges. And the "food basket" project will be threatened.

More government restrictions on the private economy will mean a continued limited growth rate in 1993.

Prediction 3: There Will Be Major Breakthroughs in the "Two Ports" Construction, With a Large-Scale Start on Infrastructure Construction, and a Sharply Improved Investment Climate.

Major breakthroughs will be made in 1993 on the construction of Shenzhen's "two ports"—the Yantian deepwater seaport and the airport, which are renowned as Shenzhen's two wings. The second phase of Shenzhen's airport project will be completed in 1993, including a second runway, an international waiting lounge, a parking apron, and a cargo center, with the beginning of scheduled international flights. Passenger traffic through Shenzhen's airport, which already ranks as one of China's "10 largest airports," is predicted to double in 1993 to 3 million passengers.

Much progress is expected in 1993 on the Yantian seaport. As Hong Kong magnates Li Chia-ch'eng and the Pao Family Group intend to participate in Yantian's development, the construction of the Yantian seaport is expected to speed up sharply in 1993.

Shenzhen is now in its second capital construction high tide since its establishment as an SEZ, with certain key infrastructure construction projects that were started in recent years, such as water and power supplies, railways, and inner-city expressways, to be completed beginning in 1993. And the power and water shortages that Shenzhen has suffered through will be alleviated by the fall of 1993.

Prediction 4: Shenzhen Will Remain a Foreign Investment Hot Spot

Foreign investment in Shenzhen grew sharply in 1992, with an agreed 1992 foreign investment of \$2.5 billion, and an actual usage of \$710 million, making 1992 one of Shenzhen's best years for actual usage of foreign investment. As the practice is that most agreed foreign investment comes in the next year, Shenzhen's actual usage of foreign investment will be up sharply in 1993.

While the interior has a very brisk opening momentum and is making rapid advances in attracting foreign investment, Shenzhen's advantage remains clear, i.e., it

is Mainland China's closest city to the international market. With the approach of "Hong Kong's return to China in 1997" and the resulting closer Shenzhen-Hong Kong relations, certain large Hong Kong financial consortiums are planning major forays into Shenzhen, with investments in ports, real estate, and tertiary industries. And certain well-funded Japanese multipurpose business groups are going to invest in 1993 in Shenzhen projects, such as retail businesses.

Shenzhen's foreign investment structure will also change from mostly industry to a diversified order, including industry and tertiary industries, and port-transport and stock-rights investments. Investments in large- and medium-sized industrial projects will grow steadily, with the electronics industry remaining a priority. And Shenzhen's commercial opening pace will clearly be faster.

Prediction 5: Shenzhen Enterprises Will Continue To Invest in the Interior.

The interior investment fever of Shenzhen enterprises touched off by the intensification of reform and opening in the interior, particularly Comrade Deng Xiaoping's southern tour in early 1992, is expected to continue in 1993.

Shenzhen enterprise investment in the interior can be characterized as follows: 1) Interior policy opening and preferences are attracting Shenzhen enterprise investment. 2) Interior shareholding-system reform is luring Shenzhen enterprises to choose more efficient enterprises in which to make stock-rights investments. 3) Shenzhen's rising costs for things, such as land and labor, are forcing certain labor-intensive industries further inland. Of course, there are also those who are "leaving in a huff" over dissatisfaction about Shenzhen factors, such as poor administrative efficiency, which has already aroused the attention of Shenzhen officials.

While this Shenzhen-enterprise interior-investment fever is attention-getting, just like the former large-scale move of Hong Kong industry to the Zhu Jiang Delta and Hong Kong investment to Mainland China was, so should be a cause for rejoicing instead of alarm, it is still cause for the Shenzhen government to examine and improve its administrative efficiency.

Prediction 6: A High Tide of Construction Will Begin in the Futian Central District, With the New Longgang District Springing Up, the "Three Imports and One Compensation" Being Gradually Converted, and Rural Joint-Stock Companies Quietly Growing.

The Futian Central District, which is being planned as the Shenzhen SEZ's future banking, business, trade, and cultural center, will enter a new phase of full-scale development in 1993. The four overpasses along Shennan Road and Wuzhou Square in the Central District are expected to be finished by June, with the Central District's "Seven Openings and One Leveling" project going into full swing in 1993, in order to improve the district's investment climate as quickly as possible. On this 4.15-sq-km tract of land, a group of skyscrapers are

going to rise, including a 110-plus story tower that will enter the preparation stage in 1993.

The Bao'an and Longgang districts were officially opened on New Year's Day 1993, with particular attention being paid to the new Longgang District. In addition, the Bao'an and Longgang districts' industrial structure of mostly "three imports and one compensation" will be gradually converted in 1993 to independent production, which will in turn make a transition to independent operation, with the rise of a number of internationally competitive key enterprises or enterprise groups.

Meanwhile, the Shenzhen SEZ's 66 new industrial limited-liability companies and 12 business companies established through rural urbanization and conversion to shareholding are very well-funded, with over 5 billion yuan in overall assets. As long as such new "peasant enterprises" can attract personnel, funding, and technology, it is believed that some of them will be looked at with new eyes.

Prediction 7: Another Export Record Will Be Set, With Not Too Great Change in the Amount of Imported Materials.

Shenzhen will further intensify its foreign trade reform in 1993, with an unprecedentedly diversified order appearing as the state gradually lifts its export commodity licensing restrictions and Shenzhen expands its export enterprise independence. Moreover, Shenzhen commercial-enterprise shareholding-reform will make breakthroughs in 1993, continuing to develop international-market diversification-priorities in the former Soviet Union, East Europe, and Southeast Asia. The signs of recovery in the U.S. economy will contribute to Shenzhen's exports, with another export record expected to be set in 1993. As the PRC's short-term "GATT reentry" prospects are certainly not optimistic, with even the best case scenario being reentry no sooner than the end of 1993, Shenzhen's imports are not likely to change sharply in 1993.

Prediction 8: There Will Be Major Securities Market Developments, With the Stock Market Upsurge Beginning To Subside, and Large-Scale Banking Reform.

Shenzhen's securities markets will expand sharply again in 1993, with the number and variety of listed companies doubling and redoubling. The Shenzhen Stock Exchange's 157 outside members will increase to about 200 in 1993, with its securities network sites spreading to large- and medium-sized cities throughout China, most of which will be opened to trading of Shenzhen stocks in 1993.

As stock market development is one of "dual-cultivation" by supply and demand, in which new shares are steadily listed on one hand, while the shareholder ranks expand rapidly throughout the country on the other, Shenzhen's stock market trading and investment will be unprecedently brisk, with the stock price index setting repeated records, possibly challenging the 400

mark or rising even higher. As to investment structure, while the increasing numbers of large fund and institutional investors will make major stock market volatility hard to avoid, stabilization factors will gradually increase. Macroeconomic influences are likely to bring major adjustments to Shenzhen's stock market by the last half or end of 1993.

The Peoples Bank of China (the central bank) will officially withdraw from the stock market control arena in 1993, being replaced by the Securities Control Commission, so that a "professionally run market" will gradually become emphasized.

There will be some movement in Shenzhen's banking reform due to the aggressive competition from Shanghai, such as a struggle for central approval of the establishment of foreign exchange, gold, and futures markets. And Shenzhen's financing climate will be more liberal than in 1992.

Prediction 9: The Commercial Building "Bull Market Will Soften," With Micro-Profit Buildings Being in Short Supply.

Shenzhen and China's real estate markets, which have been heating up for two years now, will continue to cool down in 1993, with building market prices continuing to fall. Real estate development will reach a new turning point—a self-adjustment stage.

As real estate has been heating up steadily in the last two years, there has been a "national development fever," with a saturation and oversupply of commercial buildings. While buildings for sale to foreigners have been competing on a large scale on Hong Kong and Macao markets, those markets have a limited capacity. And as buildings for domestic sale are too high-priced for most Chinese residents to afford, there is now a situation of value with no market.

While Shenzhen had a housing shortage in 1992 of about 40,000 apartments, it had 12.21 million sq m of commercial buildings under construction in 1992 (not counting those in the new Bao'an and Longgang districts), including a housing area of 7.1 million sq m (about 71,000 apartments), with 2.01 million sq m of housing completed in 1992. Under such market conditions, certain enterprises that made huge investments but could not recover them promptly will be in trouble.

On the other hand, the Shenzhen Housing Authority turned out in 1992 3,000 welfare and micro-profit apartments, as well as 800 single-occupancy rooms. And while it will turn out in 1993 another 5,000 apartments and 900 single-occupancy rooms, this will ease the employee housing shortage only slightly, so that 1993 will continue to see a sharp housing supply shortage.

Prediction 10: Legislative Work Will Accelerate, With a Number of Economic Laws and Regulations Being Put Into Effect.

While the NPC Standing Committee granted Shenzhen legislative authority in 1992, not much progress was made for almost six months, and it was not until the

beginning of 1993 that the Shenzhen People's Congress Legislature officially passed, published, and put into effect laws and regulations in two real estate areas.

Shenzhen's legislative work has always lagged for a variety of reasons, with rules and regulations being outdated. For instance, Shenzhen's securities control rules stipulate that "individuals may not own more than 50,000 yuan (face value) of listed-company stock," which is obviously out of keeping with the times. In addition, Shenzhen has drawn up in recent years dozens of economic draft laws and regulations in line with Hong Kong laws, which have long been waiting legislative enforcement. With such a good start in 1993, the pace will certainly pick up in this area, with about 30 such laws and regulations predicted to be put into effect in 1993.

POPULATION

'Planned Pregnancy' Project Undertaken in Shanghai

*93CE0321A Beijing ZHONGKUO RENKOU BAO
in Chinese 8 Feb 93 p 1*

[Article by Zhou Shizhong (0719 0013 1813): "Shanghai Undertakes 'Planned Pregnancy' Project"]

[Text] On studying in good time how to reduce artificial abortions, Shanghai has instituted widespread education in "personal health care" and undertaken a "planned pregnancy" project. As a result of almost two years of effort, the absolute figure of artificial abortions throughout the municipality has declined by 70,000 cases, a decline of 23 percent in the rate of artificial abortions.

Presently, Shanghai's population shows a negative rate of increase, and the ratio of one-child families is 95 percent. The major task of family planning efforts in Shanghai has now become to ensure that contraceptive and birth control measures are effectively adopted during the long duration from childbirth to menopause, and to protect the health of the many women in their child-bearing years. In 1991, the said municipality made reduction of artificial abortions a particular topic of its ongoing scientific research, and the municipal family planning committee set up for this purpose a "research team for the study of measures to reduce artificial abortion." It mobilized the social forces in the various quarters toward three areas of activities, namely administrative control through government policies, enlisting the services of science and technology, and instituting propagandistic education, all aiming at the reduction of artificial abortions. The team instituted large-scale investigations and studies of countermeasures and established a competitive mechanism which encouraged members of the medical professions to continuously improve birth control techniques, and also a bonus-penalty mechanism which would urge the partners of women of child-bearing age to take voluntarily steps toward their own comprehensive contraceptive condition. They also spread information on new contraceptive

techniques and effectively reduced the occurrence of failures in contraceptive practices.

Propagandistic education helped the masses to change their views on having children toward more attention to personal health care in connection with enhanced family planning. Since early 1991, the entire municipality has trained 170,000 family planning propagandists, the primary topic of their training being "prevention of unintended pregnancies." They distributed household by household 5,540,000 propaganda leaflets on "what wives of child-bearing age and their husbands must know." They held training classes to inform on the subjects of marriage and child-bearing, where attendance was almost 330,000 person-times. They also made themselves available for consultations on questions of preventing pregnancies. In over 6,200 consultations, attendance was 130,000 person-times, and women from over 500,000 households came personally to the office for consultations. The team also reviewed over 50,000 cases of artificial abortions. On the basis of these activities, and through specialized discussions and debates among specialists, the "Initial Plan for Countermeasures against Artificial Abortion and Countermeasures by Means of Propagandistic Education" was formulated. Its main target were at eight categories of personnel, among them married persons not taking contraceptive measures and women at breast-feeding time not taking sound contraceptive measures; the plan put forward 10 specific countermeasures. Trial implementation of the plan was instituted in various districts and counties of the municipality. Experimental stations for the education on marriage and love for unmarried youths have also been in operation for almost one year in Huangpu District, Qingpu County, Fengxian County, and four other districts and counties of the municipality, and positive results have been achieved in reducing artificial abortions among the unmarried. At the same time, 27 "schools for newly weds" throughout the municipality provided education for couples registering for marriage, to provide psychological, biological, eugenic, and contraceptive education on sex relations, and to guide these couples for the time after they will have been married as to how to select scientifically the time for pregnancy and methods of contraception, according to their family plan and the proper eugenic principles.

With the gradual perfection of the "dual-track" system of supplying contraceptive pharmaceutical articles, Shanghai's "planned pregnancy" project is, in material respects, assured of success. During the first half of last year, the neighborhood third grade free-of-charge supply network outlets have grown to over 22,400; they were supplying 14 different articles. It is estimated that in 1992 almost two million yuan of said pharmaceutical articles will be issued throughout the municipality.

Effectiveness of 'Three Priorities' Policy Evaluated

93CE0321B Beijing ZHONGGUO RENKOU BAO
in Chinese 8 Feb 93 p 3

[Article by Bian Houze (6708 0624 3419): "On the 'Three Priorities' Policy"]

[Text] This February, the "three priorities" policy, i.e. priority of propagandistic education, of day-to-day work, and of contraceptive practices, will have been widely implemented in all family planning throughout the country for exactly ten years. During these ten years, the "three priorities" policy has fully demonstrated its great vitality in the splendid record of family planning. Under the guidance of the party, the masses have gained an experience of a fundamental nature in family planning with Chinese characteristics. In its total improvement over the years and its general implementation, this policy has had major strategic significance in the historical development of China's population control and family planning.

The Best Road To Follow

In this ancient land of China, "family planning" has never—never since Pangu created the universe—been practiced before. Even up to the first generation of leaders of the CPC, whose declared purpose is "to serve the people wholeheartedly," there has unavoidably been hesitation to confront the "family planning" issue. In the end, from the 1960's on, Chinese policymakers, with uncommon foresight, took up family planning as an important issue. In the beginning, it was handled in a rather roundabout and bashful way, until it finally achieved complete respectability. Since the 1970's, with the entire party going into action and a mobilization of the entire population, family planning became an eminent activity of mass character in actual practice. In the course of this practice, experiences were creatively gathered, which brushed aside difficulties and opened up a level road toward family planning with Chinese characteristics. This, then, was the "three priorities" policy of the early 1980's, first tested in an experiment at Rongcheng City in Shandong Province and later extended to the entire country. It is the crystallization of efforts to which the vast number of cadres had devoted themselves heart and soul, and it is indeed a most valuable experience.

The difficulties of family planning in a country like China, with its backward economy, vast population, and old-fashioned concepts, are self-evident. However, the party guided the people on to a road of successful achievement. Initiation of the "three priorities" policy determined the fundamental road in China's family planning efforts. The policy continued the party's glorious tradition of consistently following the mass line, demonstrated the party's declared purpose of "serving the people wholeheartedly," and, to the utmost possible, aroused the enthusiasm of the masses for the conscious practice of family planning. It was also consistent with the new situation of reform and opening to the outside world. Domestically, it was the source of excellent social benefits, and abroad it earned wide-ranging favorable international reputation. The "three priorities" policy is the most effective way for family planning to gain victory and salvation in conformity with China's national condition.

The Best Method To Adopt

The "three priorities" policy is, as far as methodology is concerned, the highest sublimation of optimal methods in family planning. As a method, it is essential, if excellent results are to be achieved in family planning, that priority be given to propagandistic education, day-to-day work, and contraceptive practices. Regardless of how thoroughly such objectives as the reform and opening to the outside world are being pursued, and to what extent science and technology are being developed, if China, with a culture of almost 1.2 billion people and an unevenly developed economy, intends to implement a family planning policy among the thousands upon thousands of families and households, and wants it to last for a long period of time, it cannot do so without the optimal method of the "three priorities." Places that are doing so well as to deserve prizes for excellence in the performance of their family planning work would certainly be such that have applied the "three priorities" in their operations; places where no change has occurred in the passive state of their family planning work will not have implemented the "three priorities," or will not have been sufficiently firm in implementing them.

Some believe that at the present time, when reform and opening to the outside world are being thoroughly pursued, and when the social economy is booming, family planning should mainly rely on the law for its control, and that the "three priorities" seem to be out of tune with the times. This is wrong. Even if laws and regulations would be perfect everywhere, what would we do with certain "law-blind" ones, if not giving priority to propagandistic education? What would we do with the accumulation of problems, if we were not to give priority to day-to-day work? What would we do with the many "extra-plan ones," [babies born beyond the numbers allowed in the plan], if not giving priority to contraceptive practices? If we would not earnestly implement the "three priorities" policy in our specific methods of family planning, it would be impossible to resolve a long series of conflicts. Only by firmly adhering to the "three priorities" policy, and supplementing it with other measures, can we achieve results with minimum effort. Otherwise, this work would meet much resistance, entail many conflicts, show poor results, and be beset with all kinds of difficulties. At present, some comrades still lack sufficient awareness, are not sufficiently inured to it, and are not sufficiently inclined to regularly practice it, when it comes to the implementation of the "three priorities" policy; they are frequently more accustomed to other ways and methods. However, to allow such attitudes to continue would be bad policy, as it would precisely require to exert double the effort for minimal results, and would also be the cause for many conflicts. Some try to explain their negative attitude away as "labor pains," but if they act in the same way year after year, it can no more be regarded as "labor pains." To put a stop to these unending "labor pains," it is necessary to determine in earnest on the implementation of this one and only good policy, the "three priorities" policy. Some people have tried out the "three priorities" but felt the results to have

been unsatisfactory. However, that cannot be blamed on the "three priorities" themselves, but rather on not yet being truly adept at and persistent in using the optimal method, namely "three priorities." Some more advanced localities have indeed drawn much benefit from this policy, as they have been using the method quite naturally and smoothly; they have become well accustomed to it, and by using working method of only high standards, their family planning work has gone on to attain a completely new configuration.

The Best Criterion for Assessments

In the final analysis, family planning has "population control and improving the quality of the population" as its purpose, and the best criterion to assess the quality of family planning is the extent to which the "three priorities" policy has been implemented. In the last few years, various localities have conducted different kinds of checks and assessments, but in most cases, with the exception of targeted appraisals of a final nature, the substance of checks was to examine the state of implementation of the "three priorities" policy, and for no other reason than that there have been differences in the proper understanding of the "three priorities" policy and difference in the extent of awareness of the issue. Some comrades had the idea that only the third item of the "three priorities" must be given priority. This is a great mistake. Leaving aside for the moment the broad sphere covered by "priority for propagandistic education" and "priority for contraceptive practices" of the "three priorities," the "priority of day-to-day work" alone embraces an important task that is absolutely essential in all family planning, and as well as a task that has to be performed on a "day-by-day" basis. Using the criterion of the "three priorities" to assess the quality of family planning work eliminates the disparity in objective bases at the various localities, and enables a comprehensive assessment of the work; it is, of course, the best criterion. Our task, therefore, is to consciously utilize the "three priorities" policy when demanding, guiding, examining, and assessing family planning work, and in this manner to unceasingly promote the further progress in family planning work.

Having China's family planning take the road of the "three priorities," using the "three priorities" method, and achieving the required standards is the road that has to be followed in order to promote realization of a kind of "pre-pregnancy type" management of family planning work, and to initiate as early as possible a benign cycle for family planning work.

AGRICULTURE**Agricultural Machinery Production Increases**
93CE0305A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 3 Feb 93 p 1

[Article by Liu Jiye (0491 4949 2814) and Zhang Ailian (4545 1947 5571): "Agricultural Machinery Sales and Production Increased Steadily Last Year"]

[Text] According to statistics compiled by the Ministry of Machine Building and Electronics' Department of Engineering and Agricultural Machinery, production and sales of agricultural machinery saw steady growth in 1992; both production and sales went up, with sales increasing faster than production. The outlook is fairly good.

In 1992, the agricultural machinery manufacturers generated 43.861 billion yuan in total output value, accounting for 17.7 percent of the machinery industry's total output value, with output increasing 26.2 percent compared to the same period a year ago. Among the provinces, cities, and autonomous regions, Jiangsu, Shangdong, and Henan did the best; their respective GVIO [Gross Value of Industrial Output] were 6.274 billion yuan, 5.683 billion yuan, and 4.234 billion yuan, at increases of 42.7 percent, 27 percent, and 12.2 percent, respectively.

The agricultural machinery manufacturers' total sales (at current prices) came to 43.153 billion yuan, a 29 percent increase compared to the same period a year ago. Sales of finished products topped 96.9 percent. It is estimated that total sales for the nation's system of agricultural machinery companies will reach 26.6 billion yuan, a 23.7 percent increase over a year ago for the same period.

Export of agricultural machinery remained stable. China Engineering and Agricultural Machinery Import and Export companies' own export divisions earned \$51.03 million, 13.4 percent more than in the same period a year ago. It is estimated that the nation as a whole may earn \$165 million through exports, which will be an increase of 6.5 percent.

Among the 16 major types of agricultural machinery tracked by the Ministry's monthly production report, sales of internal combustion engines, internal combustion generators, motorized equipment for plant protection, combine, tea leave processing machine, water pumps, and tractor parts and components continued to be brisk, and production continued to increase by more than 20 percent. As rural income increases and the rural commodity economy develops, the demand for trucks used in farming has soared; production also has surged. In 1991, 71,400 trucks were produced, an increase of 65.2 percent; in 1992, 129,500 units were produced, which was another 81.5 percent increase, raising total production by two notches. Trucks may well replace tractors as means of transporting goods.

Because a new generation of tractors was being introduced to the nation and widespread water conservancy and land-leveling projects were being undertaken in the countryside, the demand for caterpillar tractors and bulldozers was especially brisk. The demand for Dongfanghong-802 tractors and Dongfanghong-70 bulldozers, manufactured by No. 1 Tractor Plant, outpaced supply by far. In addition to guaranteeing quality, the manufacturer tapped potential and worked diligently to increase production and managed to finish 22,225 units last year, which was 4,112 units, or 22.7 percent, more than a year

before. Demand for Shanghai's Diesel Engine Plant's 135-Series diesel engines also outstripped supply. Last year's production was 18,163 units, 9 percent more than a year before. Xingcheng Diesel Engine Plant's 485-Series diesel engines specifically for trucks were a hot commodity. Last year, 40,188 units were produced, 63.3 percent more than a year ago.

Between January and November of last year, agricultural machinery manufacturers generated 36.456 billion yuan in sales revenues and 1.536 billion yuan in realized profit; these represent increases of 30.6 percent and 53 percent, respectively, over the same period a year ago. Some large money-losing manufacturers were successful in turning losses into profits. With much hard work, Shenyang Tractor Plant cut its loss to 3.96 million yuan, reducing total loss by 30.88 million yuan, or 88.6 percent, compared to the previous year. Harbin Tractor Plant cut the year's loss to 4.99 million yuan, reducing it loss by 46.6 percent compared to a year ago.

The main reason production and sales of agricultural machinery continued to be brisk last year is that the state has put even more emphasis on developing agriculture. In particular, driven by the Eighth Plenary Session of the 13th Party Central Committee's decision to strengthen agricultural work and by the spirit of the 14th National Party Congress, agricultural production and the development of the rural commodity economy have entered a new phase. In addition, the state has increased agricultural funding and loans, which also invigorated the market for agricultural machinery. However, there are also some problems we should not overlook:

1. The supply of circulating funds is fairly tight, making it difficult to buy raw materials. Tianjin Motor Plant's stockpile of steel has dropped to 600 tons from 1,600 tons in early 1992 and its stock of key steel products of different types and specifications is depleted, and as a result, the company has to shut down temporarily while waiting for new material supply, making it impossible to keep up normal production.
2. For small four-wheeled tractors, there are too many plants producing them and competition is intense; production and sales have already peaked, and the market is eroded by the sale of trucks and motorized pedicabs, and so their demand has clearly slacked off. Last year, 50,400 units were sold, which was a 9.5 percent decline. It is expected that sales will continue to slip this year.
3. Although economic efficiency has improved, overall improvement is insignificant. The increase in efficiency was due mainly to economies of scale in a handful of enterprises. But most enterprises are still in a low- or no-profit state of existence, and one-fifth of them are still losing money. Between January and November of last year, the profit to sales ratio was only 4.21 percent, which was 1.84 percent below the machinery industry's overall profit to sales ratio.

Looking ahead at the agricultural machinery market in 1993, the trend of steady growth is likely to continue, but

production and sales increases will slow down and may even slow drastically toward the latter half of this year.

Institute Head Foresees Agricultural Problems

93CE0364A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 2, 1 Feb 93 pp 24-28

[Article by Correspondent Chen Lian (7115 1670): "Need for Vigilance—Agriculture Again Taking the Old Zigzag Road—An Interview With Rural Problems Expert Lu Xueyi (7120 1331 5669)"]

[Text] Most recently, leading comrades in the CPC Central Committee and the State Council have repeatedly emphasized the importance and urgency of agricultural problems, thereby arousing the concern of all society. Given the new situation in China of consecutive year bumper harvests, and reform and opening to the outside world, why do the party and government raise the agricultural issue to such an important place on the daily agenda; what is a correct view of the present agricultural situation in China; and what are the broad masses of peasants, who comprise more than three-fourths of the population, thinking and doing, and what are their troubles? It was with these issues of general interest to the public that I set off to interview Lu Xueyi, chairman of the Social Sciences Institute of the Chinese Academy of Social Sciences and expert on rural problems. He received me with great delight.

A dramatic decrease in the amount of cultivated land; cheap grain that is hurting agriculture; slow or no rise or in peasants' real income; and more and more unreasonable burdens have become new early warning signals of problems in China's agriculture today.

Lu Xueyi said that since the Third Plenary Session of the 11th Party Central Committee, China's agriculture has made historically unprecedented strides. Since the mid-1980's, China has once again gradually increased inputs into agriculture. Following a decline in grain output for consecutive years after 1985, an all-around increase in agricultural production occurred in 1990, grain production reaching a new high. Despite floods and waterlogging during 1991, a rather good harvest was still brought in. A bumper harvest for three consecutive years ensured the development of economic construction as well as a rise in the peasants's standard of living, a stable economy, and a stable society. It increased reserves to a certain extent as well. Nevertheless, for the country as a whole, even though no major natural disasters occurred in 1992, cotton output declined tremendously, and the autumn grain harvest also decreased slightly, making 1992 a rather ordinary year. Furthermore, for several consecutive years, peasants have found it difficult to sell principal agricultural products, and the state has issued procurement IOU's. This is a new signal. Various indicators show no reason for optimism about agricultural production in 1993. This should arouse a high degree of vigilance on our part, and make us take prompt action to prevent agriculture from languishing once again.

Researcher Lu Xueyi's cited large amounts of survey data in listing six major problems affecting agricultural production today.

Dramatic Decrease in Cultivated Land. Indiscriminate takeovers and reckless use of cultivated land has become a nationwide trend. The time for drastic action has arrived. Unless the brakes are applied urgently, the situation will spin out of control. The year 1985 marked a high point for indiscriminate takeovers and reckless use of cultivated land for non-agricultural purposes. During that year, 24 million mu of land were taken over, a net reduction of 15 million mu of cultivated land occurring. Thereafter, the party and governments at all levels expended very great efforts and did a very large amount of work to bring under control the sharp decrease in cultivated land. Nevertheless, since 1991, the amount of cultivated land taken over for construction of all kinds has shot up. In 1991, 8.7 million mu of cultivated land was taken over, up 30 percent from 1990, the amount of cultivated land decreasing by a net 3.5 million mu. With a pick-up in the pace of economic construction in the spring of 1992, the amount of land indiscriminately taken over for nonagricultural purposes increased tremendously. Even more seriously, a fairly large number of local governments and sectors, which put the interests and desires of their own jurisdictions and their own sectors first, used the availability of land as a principle means of attracting business, accumulating wealth, and getting rich. They imitated and vied with each other in setting up development zones under a host of names, large urban shopping centers and country fair markets, and real estate companies. Today, development zones are run by province level cities, prefecture level cities, counties, townships and towns, and even villages. According to statistics from the agencies concerned, as of the end of 1991 development zones of various kinds nationwide numbered 1,200, but today there are more than 8,000 of them. One province in south China has 401 development zones, only 12 of them state and province approved. Most of these development zones are located around large- and medium-sized cities and along railroads and highways. Most of the land they occupy was high yield grain fields and vegetable fields. Because of the extremely high profits to be made in the real estate business, which has been booming for the past several years and in which the payback ratio has been 40 to 1 in some cases, all kinds of organizations and individuals from inside the country and abroad have been powerfully attracted to set up real estate companies to make enormous super profits. Essentially they are fighting with each other to get hold of land, which is still cheap. It is estimated that cultivated land takeovers in 1992 will exceed the scale of 1985. In November 1992, the State Council issued an urgent circular notice on strictly controlling indiscriminate takeovers and reckless use of cultivated land, but information from everywhere indicates that the momentum toward indiscriminate takeovers and reckless use of cultivated land has not completely halted. It appears that further action will have to be taken.

Low Grain Prices Hurt Peasants, Seriously Dampening Peasant Interest in Farming and Growing Grain. Peasant difficulties selling grain and cotton have continued for three years. Market prices of grain and principal farm products have fallen for several years in a row, dropping below the state fixed price. Data from major grain growing areas such as Hubei, Jiangxi, Anhui, and Jiangsu provinces show that the sale price per 100 jin of paddy, which was 40-odd yuan in 1990, fell to 30-odd yuan in 1991, and the state contract fixed procurement price in 1992 was 24 yuan. However, for various reasons, including a shortage of funds, many grain stations have delayed procurement, and some have purchased grain against IOU's instead of paying cash. Some simply refused to purchase grain despite peasant entreaties and willingness to accept IOU's. (The peasants have the psychological consolation that once they deliver the grain against an IOU, the government will pay them sooner or later.) Nevertheless, such grain stations even refused to issue IOU's. In need of money, most peasants had no choice but to sell their grain on the market where grain prices had fallen. In some cases, they got only 17 to 18 yuan per 100 jin for it. Even at this low price, they were unable to sell all of it. A considerable amount of grain piled up in peasants' homes.

Although grain prices have fallen during the past several years, prices of the means of agricultural production have continued to rise. A survey conducted in Jingmen City in Hubei Province showed that because of the fall in prices, peasant per capita income in Jingmen was 40 yuan less.

When peasant earnings from grain are so low, and they have so much difficulty selling grain, their interest in growing grain is bound to suffer. In 1992, peasants gave up farming to a certain extent everywhere.

During the Past Three Years, Peasant Real Income Growth Nationwide Has Either Halted or Slowed, Occasioning Very Many Economic and Social Problems. According to State Statistical Bureau data, from 1989 to 1991 peasant net per capita income nationwide increased from 544.94 yuan in 1988 to 708.55 yuan in a nominal 163.61 yuan increase. However, during the same period the overall price index rose 27.1 percent, so the actual increase in peasant per capita income from the 3 year period was 2.2 percent, or an average of only approximately 0.7 percent each year. During those three years, township and town enterprises and nonagricultural businesses in the suburbs of large- and medium-sized cities along the southeast coast developed very rapidly. Thus, the peasants in those places realized a very great increase in net earnings. Therefore, in central and western parts of the country and in provinces and regions where income comes mostly from agriculture, the peasants' real income declined during these three years. Statistics show that the net income of nearly 300 million peasants in 10 provinces and autonomous regions including Anhui, Hebei, Inner Mongolia, Jilin, Hubei, Guizhou, and Ningxia was actually less in 1991

than in 1988. In addition, in major agricultural production areas of some large provinces, the real income of peasant households who depend mostly on agricultural income also declined. Consequently, approximately one-half of peasant families nationwide saw a drop in real income during those three years.

From 1978-1984—a six consecutive year period of high speed development—peasant per capita net income increased from 133 yuan in 1978 to 355 yuan in 1984. After deducting for price increases, real per capita income increased an average 15.1 percent each year. From 1985 to 1988, agricultural production languished in limbo neither advancing nor retreating. At the same time, however, the rural economy continued to move ahead, mostly township and town enterprises developing rapidly. In 1988, peasant per capita net income reached 544.94 yuan. After deducting for price increases, real income during these four years rose an average 5 percent, which was 10.1 percentage points less than the former rate of increase. Between 1989 and 1989-1991, agricultural production increased fairly rapidly, the gross output value of agriculture increasing by an average annual 4.8 percent at constant prices, and the agricultural labor productivity rate rising as well. Outputs of all major farm products increased rather tremendously. The situation in agriculture was very good. Nevertheless, the rise in real peasant income came to a halt, falling to an average annual 0.7 percent. This meant that as agricultural production increased, income decreased. This was a very abnormal situation.

Consequences from the halt in the growth of peasant real income were serious. It caused very many rural economic and social problems. The most direct result was a dampening of peasant interest in agricultural production and a decline in agricultural inputs that hurt agricultural production. Statistics show a 22.2 percent decline over the previous year in peasant investment nationwide in the purchase of fixed assets to expand production in 1989, a 35.4 percent decline in 1990, and an 18.2 percent decline in 1991. Peasant actual expenditures for current year production also declined with each passing year. The reduced peasant investment in agriculture was bound to impair and limit the steady growth of agricultural production.

Ever Increasing Unreasonable Burdens on Peasants Despite Repeated Prohibitions Have Become the Greatest Social Problem in Rural Villages Today. Every year since 1985, the CPC committee and the State Council have called for a lightening of the peasants' burdens. They have issued documents, held meetings, prepared plans, and led discussions all to no lasting avail. Meanwhile, the failure to enforce regulations has resulted in a year-by-year increase in peasant burdens. Today, demands for money from the peasants on various pretexts are very numerous. One might say they bear a multitude of names and are of numerous varieties. In some areas, they number more than 182 individual exactions. Money withheld from peasants is much more than 5 percent of

peasant net annual income. In most cases it is 10 percent or more, and in some places even more than 20 percent.

When rural grassroots cadres try to collect or withhold money (the cadres have their own crosses to bear), the peasants cannot afford to pay and they refuse to surrender money for withholdings. The conflicts this generates and the clashes it occasions, even resulting in the taking of life, causes frightful calamity. The instance that RENMIN RIBAO disclosed in which Hunan peasant woman Pan Qunying committed suicide by jumping into a river is a glaring example. Such burdens go beyond the tolerance of the peasants. The peasants cannot bear the heavy burden. They are very angry.

The Cadre Corps Is Freer; It Is In No Mood for Managing Agriculture

Over the decades, we have gradually shaped a body of institutions and mechanisms for running and managing agriculture. A policy of "taking agriculture as the foundation" has promoted the sustained and steady development of agriculture. From the central government to party and government organs at all levels, and on down to the rural grassroots, a huge cadre corps that serves agriculture provides the organizational support needed for development of the country's agriculture. Since the spring of 1992, the pace of reform and opening to the outside world has quickened in China. The economy has entered a new stage of rapid development, and the situation is very good. Nevertheless, some problems that merit attention have also occurred such as the appearance in one place after another of a development craze, a craze to operate industrial communities, a real estate craze, a stock shares craze, and a second occupation craze, etc. In the midst of this great ferment, the cadre craze to go into business is wilder than it was in 1985. Mayors are selling clothing in street markets, bureau directors are learning how to run vendor stalls, and cadres are scurrying to "get into the swim" or "take the plunge" into business. Since the past summer, in particular, when news of closings and mergers, and cadre cutbacks spread, even ordinarily calm cadres have been unable to sit still. Today, leading cadres in some areas have no mind for agriculture; instead they devote their main energies to running industries, and operating development zones and similar hot spots in the economy. Moreover, some cadres in the rural agricultural system, such as in rural work departments, farm economy commissions, and agricultural bureaus, likewise are in no mood to manage agriculture. They have all gone into business to make some money. Who is paying attention to agriculture? Everyone is working on food to eat and clothing to wear!

After the Market Orientation Reforms of the Past Several Years, the Monopoly Procurement and Marketing System for Principle Farm Products of the Past Nearly 40 years Has Reached the Stage Where It Can Finally Be Concluded. The state has already made the decision on step-by-step, area-by-area decontrol. Guangdong, Hainan, Jiangxi, and Zhejiang provinces have already openly announced the complete removal of controls on

the purchase and marketing of grain. The establishment in rural villages of a socialist market economy system to guide peasants toward markets, the purchase and marketing of farm products being completely decontrolled is entirely correct. The problem is that a rural planned economy system in which monopoly procurement and monopoly marketing was the main component has been in effect for nearly 40 years, so today's cadres and peasants grew up producing under this system; it has become somewhat "traditional" and "customary." How to make the transition from the old system to the new market economy system and bring the monopoly procurement and monopoly marketeting system to a final end is a tasks requiring much more work. Anything shaped over a period of several decades has to be dismantled through a historical process; it cannot be done through rash, simple, and one-shot methods that result in poor performance of a good act.

The problem today is that some areas and sectors regard complete decontrol of grain and edible oil procurement and marketing as an opportunity to shuck their burdens, and some even regard it as an opportunity to make a quick profit by holding back the three linked materials, and the funds and materials used to support grain and cotton production. Some use "moving the peasants toward the market" as an excuse for abandoning their own duties and responsibilities. They no longer buy the grain and the cotton that the peasants are required to grow in accordance with planned fixed procurement contracts signed in the spring, and they shirk their responsibilities with language such as "peasants should go to the market for help not to the county magistrate."

Our understanding of the situation suggests that with the complete decontrol of farm product procurement and marketing, a fairly large number of cadres do not know how to go about leading agricultural production in 1993, and substantial numbers of the peasants do not know what they should grow? These are problems. If the 1993 grain and cotton growing areas actually decrease by very much, the year's grain and cotton outputs will be problematical.

"Too much, too much; too little, too little; too little, too little; too much, too much" vividly portrays the tortuous road that China's agriculture has taken during the past 40 years. Now the "old ailment" may stage a comeback.

In order to improve our appreciation of the importance of problems in agriculture, Lu Xueyi reviewed the lessons of historical experience in the guiding of agricultural work in China, reaching the following conclusion: Agriculture must be vigilant against following a zigzag course. He said there have been four major ups and downs in agriculture since the country first instituted monopoly procurement and monopoly marketing of main farm products back in 1953. Some people have characterized these events as dancing the yangge—zipping here and zagging there. This metaphor is an appropriate one that vividly reflects the tortuous course of development of China's agriculture for the past 40 years.

Since the Third Plenary Session of the 11th Party Central Committee, the rural villages have taken the lead in reform. From 1979 until 1984, agricultural production increased year after year, outputs of grain and cotton going through a process of steady growth. During the autumn of 1984, the first nationwide difficulty selling grain and difficulty selling cotton occurred, and in 1985 outputs of both grain and cotton declined to an unprecedented extent, four years of agricultural limbo ensuing. In 1988, another fall in output occurred that led to a nationwide grain and cotton shortage. The truth of the statement that "agriculture is the foundation" gained agreement once again. Cadres at all levels and the masses at the grassroots level once again paid close attention to agriculture, increased inputs, and poured their energies into it. In 1989, grain output increased 3.4 percent in a return to the 1984 output. Both 1990 and 1991 were bumper harvest years, and judging from reports from all over, although 1992 was an ordinary harvest year, since state granaries are full, everyone from east to west and from north to south is complaining of difficulty selling grain! The market price of grain has fallen sharply to below the state procurement price, below the state floor price, and below the market price prior to 1987.

Historical experience shows that whenever everyone in the country from high ranking cadres to the grassroots masses believe there is plenty of grain, that is the time when attention to agriculture slackens from top to bottom. This is followed by a sudden shortage of grain and a sudden shortage of cotton. China is a large country in which land and other resources for agricultural production are in short supply, the population is huge, and the demand for increased output of principal farm products such as grain and cotton is rigid. Attention to agriculture cannot be slackened for even one year. One need not look far for a lesson; early precautions must be taken!

Some comrades suppose rather optimistically that there is a good side to a little reduction in agricultural output. It draws down the amounts in storage, and it can ease the difficulty selling grain. Some rural work comrades and peasants also suppose that grain output should be reduced somewhat, because a reduction in grain output means more money and more respect for agriculture. Lu Xueyi feels that considering the needs of a population of 1.17 billion, such ideas are very dangerous!

He believes that the country's agriculture does not have a great amount of accumulated wealth. Although much progress has been made in building the country's agricultural foundation through 40 years of effort, it is still rather fragile and unable to withstand natural disasters and man-made setbacks. Take grain, for example. Although the country has grain reserves of about 205 jin per capita, which is enough to supply all society for approximately six months and above the safety line amount, by comparison with Japan (where reserves are more than 400 jin per capita), China still has a very long way to go.

He said that one basic problem in China at the present stage is small production for a large market. The country's 225.66 million peasant households are actually 225.66 million small rural business concerns. In the process of changing from traditional agriculture to modern agriculture, the peasants frequently copy from each other and move along in lock step. In one place, for example, a small number of peasants made a profit from raising rabbits, so pretty soon peasants all around took up the raising of rabbits. A "craze for raising rabbits" ensued; the market became saturated and rabbit fur prices plummeted. This was followed by the killing of the rabbits. Very shortly, there was a rabbit shortage. The price of rabbit fur shot up, and a rabbit fur war broke out.... This kind of going round and round has occurred several times.

The same is true for grain. Right now it is difficult to sell grain everywhere in the country. The market price of grain has slid to the lowest point in five years. The lower the price of grain goes, the more peasant households sell grain out of fear that should the price of grain slide any further, even those peasant households that do not have much grain on hand will also sell their grain and everyone will cry out about the difficulty selling grain! However, at the slightest sign, or should any signal occur (such as a reduced harvest in the summer of 1993) that raises the price of grain slightly, the peasants may switch to buying grain. Without proper regulation and control, grain purchases will rise out of sight over a wide area or even nationwide. Since peasants today are both producers and businessmen, a substantial number of them have cash to spend and savings. When the peasants foresee a price rise, they do not sell grain; instead they buy it and store it. Very quickly all the grain in the market is bought up and a new round of difficulty buying grain ensues! One of the important basic reasons for the odd situation that has occurred several times during the past several years in which people said no grain would be available and no grain was available is attributable to this!

Lu Xueyi believes that we suffered in the past as a result of blind optimism and lightheartedness in guiding agriculture, and that we should take these lessons to heart. He cited an example. Following the bumper harvest of 1984, the whole country experienced difficulty selling grain and cotton. Evidence of incipient problems in agriculture already existed, but some comrades remained blindly optimistic supposing that agriculture had turned a corner. Comrades in some departments in charge even said that even if cotton were not grown for another three years, enough was available. After the great drop in grain and cotton output occurred in 1985 without any further regulatory policies being adopted promptly, an opportunity was missed and agriculture languished in limbo for four years thereafter.

Today a situation has again occurred that is like the one in 1984 and 1985. Were one to want to right a book diagnosing the reason, it would be "recurrence of an old malady." The truth is we committed the old mistake of

taking too much from the rural villages, "cutting to the peasants' bones." The peasants feel wronged, and this has seriously damaged their interest in growing grain and cotton. It is likely that problems will occur in agriculture after 1993, and the root of these problems lies here.

If Problems With the Economy Occur During the 1990's, They Are Very Likely To Be in Agriculture; If Problems Occur in Agriculture, It Will Take Years To Solve Them

Just what can be done to solve the problems in agriculture today? Lu Xueyi cited the following four main points:

First is to clarify the situation to reach a common understanding of where the problems lie. He feels that no consensus has been reached about the grim state of affairs existing in rural villages today. In particular, no consensus has been reached by comrades in various sectors outside of agriculture. Some comrades are still at the stage of supposing that the agricultural situation has turned a corner, and that there is plenty of grain and cotton on hand. Therefore, it is very necessary to a thorough investigation to gain a new understanding of rural problems. It is particularly necessary to organize leaders and key cadres from all sectors at both the central government and the province/city levels to go down to the basic level in villages to talk directly with the peasants and grassroots level cadres. Only by understanding clearly the country's basic situation and the feelings of the people can we unify thinking to draw up correct policies.

Second is the need for an early decision to readjust policies promptly, lowering temperature where it should be lowered and cutting back where cutbacks are called for. A decision must be made to tilt toward the villages, toward the peasantry, and toward agriculture to redress the balance. He believes that the family output-related contract responsibility system that has been practiced during the past several years is stable, that two-tier operation and socialized services have developed well, that progress has been made in the building of farmland water conservancy facilities, that agricultural science and technology has been extended further, and that supplies of the agricultural means of production such as farm machinery, chemical fertilizers, agricultural pesticides, and plastic used in agriculture have improved (although the problem of inferior quality and high prices has not been solved); therefore, the main problem is not within agriculture itself. The problem is that for the past several years the rural economy has tilted toward cities and agriculture has tilted toward industry. Problems in the form of an overheating of industry, too many assessments against the peasants, and too much capital construction have occurred. For the past 40 years or more, the ratio between speed of growth in agriculture and industry has been generally maintained at 1:2.5 - 3, but in 1991 agricultural output value for the country as a whole increased 3.7 percent while industrial output value increased 14.5 percent. The growth ratio between agriculture and industry was 1:3.92. Agricultural growth during 1992 is estimated at 3 percent, and industrial

growth is estimated at 21 percent, the ratio between agricultural and industrial growth being 1:7. Industrial development has gone beyond the ability of the agricultural foundation to support it. Under the present system, the inevitable result is an encroachment on agriculture and an infringement on the interests of the peasants. Now, we must: require protection of cultivated land, protection of the peasants' interests, and protection of agriculture. When the peasants' interests are protected, the peasants gain, which means peasant interest in production is protected, the foundation that is agriculture is protected and, in reality, the national economy is protected. This enables the sustained, steady, and coordinated development of the entire economy.

Third, in the process of building a socialist market economy system, policies and measures are needed for the protection of agriculture. As an industry that is affected by natural resources and the weather, agriculture is frequently in a weak competitive position in the market. Therefore, agriculture is an industry in need of macroeconomic regulation and control from the state to protect it. This has been demonstrated in the recent development of a modern economy. All of the economically developed countries in the world have their own laws and policies for the protection of agriculture in their own country. China's agriculture, which is in process of moving from purely traditional agriculture to modern agriculture, even more requires special protection from national macroeconomic policies.

The most important elements in the protection of agriculture are government funds for the support of agriculture, ensuring needs for the development of agriculture in the allocation of resources, and protecting the peasants in making distributions.

Fourth is the need to seize opportunities, concentrate energies, and solve problems to give impetus to the development of agriculture in 1993. The spring farming season is close at hand; a decision must be made to solve a number of problems before spring plowing begins. For example, the IOU's that peasants are holding must be redeemed as quickly as possible. The State-Council announced regulation that peasant burdens are not to exceed 5 percent of net annual income must be enforced, peasant having the right to refuse to pay when they go beyond that amount. The ban on arbitrary and reckless takeovers of cultivated land must be reaffirmed, land that has been taken over but that has been left unused being returned to cultivation after an investigation of the facts. All jurisdictions must be sure to announce floor prices for principal farm products in advance of spring plowing. This is a reassuring notice that permits that enables the peasants to farm without worrying. It must be adhered to.

Lu Xueyi said that Comrade Deng Xiaoping has warned us that if problems with the economy occur during the 1990's, they are very likely to be in agriculture. If problems occur in agriculture that are not settled for many years, all economic and social development will be seriously hurt. He believes that Comrade Xiaoping's

words stem from accumulated experience gained through 40 years of practice in the country. The statement is concise and comprehensive, sincere and earnest. It deserves to be pondered long and hard. Recently, the CPC Central Committee, in which Jiang Zemin is the

nucleus, reiterated the importance of solving problems in agriculture. The situation is very good. So long as we keep a clear head and apply decisive policies, China's agricultural production will be able to move a step upward without again taking a zigzag course.

Symposium on Legal Framework Under Socialist Market Economy

*93CM0193B Beijing FAZHI RIBAO in Chinese
4 Feb 93 p 3*

[Summary of speeches given at a symposium on the development of a socialist market economy and legal institutions: "We Need To Build a Better Legal System To Ensure and Guide Sound Market Economy Development"]

[Excerpt] *Editor's note: [Passage omitted] FAZHI RIBAO recently joined with the State Restructuring of the Economic System Commission and the Hongdou Textiles Group in Jiangsu Province in inviting leaders and specialists from the concerned sectors to a symposium on the development of a socialist market economy and legal institutions. The following is a summary of the speeches given by some of the participants:]*

A Socialist Market Economy Should Be a Legal One

Wang Shiyuan [3769 0099 0337] (Secretary-General of the State Restructuring of the Economic System Commission):

As a market economy is a competitive one, which competition should be orderly without monopolies or a laissez-faire approach, the most important step is to build a sound socialist market economy legal system. We should pursue the following three objectives:

1. We should legalize our economic relations, so that we will have laws to follow when changing and adjusting them. This includes the relations between the state and enterprises, central and local governments, and among enterprises.
2. The establishment of this legal system should standardize and legalize the economic activities of governments, enterprises, and individuals.
3. We need to establish legislative, judicial, and oversight organizational systems suited to a socialist market economy. We now need to draw up provisions suited to a socialist market economy, particularly to clarify key economic laws and crimes.

The time when we establish our socialist legal system will be the day when we have established a sound and mature new socialist market economy system.

The Legal Framework for the Establishment of a Chinese Market Economy

Jin Kesheng [6855 0344 0524] (Vice President of the Foreign Affairs Academy's International Law Studies Institute):

A legal framework will legalize the market economy system. Establishing a uniform and orderly socialist market will require the establishment of a complete and secure socialist market legal framework. This legal framework should be a unique legal system and mechanism with markets as its axis and constitutional and pertinent departmental laws as its foundation.

"A market economy is one that is delimited by law." A market economy legal framework will finalize and legalize the market economy system, through national legislative organs investing legal authenticity in key rules on macroeconomic regulation and control and economic activities, in order to finalize legal rights and commitments, and provide safeguards and oversight through a national mandate.

A market economy legal framework will be rooted in socialist markets, which are its economic foundation. The framework in a legal sense will be firmly built on constitutional and pertinent departmental law, which are its legal foundation and structure.

As its constitution is a country's major fundamental law, China's market economy legal framework will absolutely have to be rooted in the Constitution of the PRC. In addition, this legal framework will have to take China's three major legal pillars—our administrative, civil, and criminal laws, as its legal foundation and main structure.

In establishing this legal-framework foundation, we will have to pay attention to the following matters:

We will need to speed up our legislative process to build a complete market economy legal framework. Many key administrative and civil laws pertaining to market regulation and control and market order, such as a company law, a budget law, a credit law, an investment law, a banking law, a securities exchange law, a notes law, an auditing law, a pricing law, a law prohibiting improper competition, a product responsibility law, an auction law, a trust law, a labor law, and an insurance law, are now being drawn up or have been listed in legislative plans. And certain existing laws, such as our Trademark Law and our Economic Contract Law, are being readied for amendment.

We will need to strengthen our law enforcement ranks, by building sounder legal oversight mechanisms. "Inadequate laws lead to arbitrary actions." As a market economy is open and competitive, as well as uniform and wide-ranging, its legal framework should have not only strict standards, but also rigorous legal enforcement mechanisms.

I believe that the establishment and operation of China's market economy legal framework should embody the following principles and concepts: "equality and independence based on rights; justice and openness to protect competition; uniformity with regulation and control for law and order; and security and trust through strict enforcement." These are based on common commodity-exchange laws, and in consideration of China's socialist market economy features and socialist legal system requirements.

In addition to the abovementioned legal foundations, the socialist market economy legal framework should also be composed of the four major legal systems of 1, a major market players and rights system 2, a market operation and order system 3, a market regulation,

control, and coordination system and 4, a market oversight and guarantee system. The operation of these four systems corresponds exactly to the four abovementioned principles and concepts.

But the genuine establishment of a market economy legal framework-structure with distinct Chinese characteristics will still require a process and depend on the improvement and maturity of the market economy system per se.

Impartial Enforcement Will Guarantee the Sound Development of a Market Economy

Sun Zonghao [1327 1350 3493] (President of the Economic Division of the Supreme People's Court):

Economic trials in recent years have been emphasized and validated by the party, the government, and all social parties, having played a key role. But while most cases have been handled impartially and had a good social impact, we have still been unable to satisfy all public demands. The public has reported too long litigation times and low enforcement rates, noting that some courts are subject to local protectionism, favor local litigants, and have relatively high appeal rates, while some enterprises still fear the impact on their customer relations, so do not wish or dare to take disputes to court.

In order to ensure that the courts play a greater role in settling disputes while economic relations are being adjusted, and that they conduct economic trials well and increasingly better, the crucial problem remains impartiality. We need to impartially protect the legitimate rights and interests of both parties, by acting objectively, making a clear distinction between right and wrong, and clarifying respective responsibilities, in order to settle disputes impartially. We are working hard at exploring the following ways of resolving conflicts more impartially: 1) We are observing as much as possible market economy laws and rules of conduct in impartially trying all cases of economic contract disputes, by paying attention to studying and assimilating valuable foreign experience and methodology in resolving disputes impartially. 2) We are acting according to varying particular conditions to properly handle the new kind of economic relations cases that are appearing since reform has separated ownership from operating authority, by protecting the legitimate rights and interests of contractors and tenants, and by impartially adjudicating the relations among the interests of the state, collectives, enterprises, and individuals. 3) We are acting in accordance with China's existing regulations, with reference to current market economy rules in developed countries, and according to all economic-relations laws per se, in order to handle well cases of disputes over newly developing economic relations on which we still have no legal provisions, such as notes, securities, stocks, and lease financing. 4) We are safeguarding a normal competition order, by legally punishing through payment of compensation for victims' losses those who encroach upon others' patent rights, exclusive trademark rights, and

enterprise name and reputation rights, requiring compensation for losses and confiscating illegal incomes from those who entrap consumers through producing and marketing imitation, counterfeit, and inferior commodities, penalizing more severely those who sabotage agricultural production and endanger people's health, and investigating and affixing the criminal responsibility in cases where such acts constitute crimes. 5) We are impartially trying economic disputes involving foreigners and those from Hong Kong, Macao, and Taiwan, in order to provide a soft climate of impartial enforcement for expanded opening. 6) And we are correctly dealing with technological cooperation disputes, in order to provide a better legal environment for converting S&T into a productive force.

We are striving through rigorous and impartial enforcement to make our case litigation legal, fair, and reasonable, give litigants more confidence in the courts, and improve the sense of security of litigants that they can operate normally with socialist legal safeguards, so that the courts can play a greater role in economic development, and a market economy can develop quicker and sounder.

Drawing Up a Company Law and an Antimonopoly Law Are Tasks of Top Priority

Huang Zhuozhu [7806 0587 5511] (Professor at the Central Politics and Law Cadre Management Institute):

In developing a standard market economy in accordance with objective laws, our most pressing current tasks are to legislate a company law and an antimonopoly law.

As the best commodity economy model is the company system, our enterprise legislation needs a company law. As we have been drafting a company law since 1982, it is imperative that we put it into effect because, without one, it is harder to attract foreign investment.

We cannot underestimate our current need for an antimonopoly law, as a planned economy is a monopoly economy. As reform has expanded enterprise independence in recent years, some institutions have suddenly changed into companies, while others have registered grass-roots enterprise products, all of which is unfair competition. And there is also a local protectionism problem, all of which requires resolution through legislation.

There Is an Urgent Need for a Law Against Improper Competition

Tian Yunpeng [3944 0061 7720] (Deputy Director of the State Administration for Industry and Commerce's Legal Office):

While China's dozen or so years of reform and opening have brought great legislative achievements, objective limitations still leave quite a distance between our economic legislation status quo and our market economy requirements, which can be seen as follows: 1) Certain key economic legislation, particularly that to establish

the basic rules of market activities, such as an "Anti-Improper-Competition Law," have still not been drawn up. 2) In our current legislation, some ownership legislation overlooks the common nature of the major market players, some emphasize market distinctions while ignoring market generality, some is based on departmental functions while not containing market-targeted laws, and some even denigrates the market concept. This means that much of our existing legislation still carries a planned economy flavor, so cannot be used as a market economy legal system.

Our current priority should be to speed up our legislation of an "Anti-Improper-Competition Law," which is an objective requirement for sound socio-economic development in a market economy system. As competition is the basis on which the role of markets is brought into full play, it is only through ensuring a fair competitive order that the optimum organization and rational disposition of resources can be achieved. All countries that practice market economy regard rules of competition as the basis of their economic operations, as well as establishing them through legislation. As China's economic activities contain much improper competition, such as making and selling fake and imitation commodities, making false claims about product quality, fraudulent marketing, defamation of others' commercial reputations, and stealing of others' commercial secrets, which is doing severe damage to our market order, there is a pressing need to curb and sanction such actions through legislation. China's current legislation to standardize economic activities is very incomplete, with provisions against improper competition scattered throughout pertinent departmental laws, carrying a planned economy flavor, unable to act as a legal principle for standardizing market activities, and unsuited to our market economy development needs. This means that we need to speed up our legislation of an "Anti-Improper-Competition Law," in order to establish a fair competition principle for our socialist market economy. According to NPC and State Council legislative planning, the State Administration for Industry and Commerce is charged with drafting this legislation, with its drafting and proof now being intensively underway. It is hoped that this legislation will be supported by all, and that the NPC will provide enhanced guidance, by getting involved in its legislative proof in advance, in an effort to put it into effect and application as quickly as possible.

More Young, Competent Teachers Quit Office

*93CM0194B Beijing ZHONGGUO JIAOYU BAO
in Chinese 11 Feb 93 p 4*

[Article by Yang Chunmao (2799 2504 5399): "The Turnover of Grade and High School Teachers: A Gain or a Loss?"]

[Excerpts] [Passage omitted] Statistics for 1991 show that teacher turnover is roughly balanced between gains and losses (with gains not including graduates assigned as teachers), with an out-transfer of grade and high school teachers throughout China of about 80,000, or

approximately 1 percent of the total. Hunan Province lost from 1990 to August 1992 6,300 grade and high school teachers, or 1.2 percent of its total, Guangdong lost in 1991 4,600 teachers from its universal education system, or 1.4 percent of its total, and most other regions lost about the same proportions, or approximately 1 percent. While a macroanalysis show this to be a seemingly normal turnover, particular studies find in it many problems of concern. [passage omitted]

Statistics for Ningbo, Zhejiang show a loss in the first 10 months of 1992 of 152 teachers, most of whom were professionals with teachers college degrees and more than five years of experience, or reserves in training. One provincial-priority high school in Jiujiang, Jiangxi lost 14 teachers in 1992, all of whom were about 30 years of age, and most of whom were core teachers with college training. Most of the more than 4,500 teachers that Guangdong lost from its universal education system in 1991 were from its 30- to 40-year-old young and middle-aged core. And 96 percent of the approximately 6,300 under-45 teachers who left Hunan's educational system from 1990 to the end of August 1992 were key ones with graduate degrees. As such core teachers are the mainstay of grade and high school education, their loss not only affects teaching work, but also has a considerable impact on the morale of the vast numbers of in-service grade and high school teachers. [passage omitted]

Teachers in fields, such as foreign languages, can easily find other jobs, mostly in joint-venture or wholly foreign-owned enterprises and foreign affairs departments of government organs, where incomes are much higher than those in schools. Foreign-language teachers are also lost through going abroad to study or work. And the great difficulty in finding replacements for lost foreign-language teachers has a major impact on teaching work. [passage omitted]

Uneven economic development, with increasing income and living-condition gaps among regions and industries, is affecting the stability of teacher ranks. The provinces and autonomous regions close to Guangdong, such as Jiangxi, Hunan, and Guangxi, are losing many teachers to Guangdong. While they continue teaching in grade and high school after going to Guangdong, their loss has a great impact on the quality of education in the places they came from, leaving some schools, fields, and grades unable to operate.

Teacher salaries are too low in some places, with especially severe wage arrears, which forces some with a deep love for the cause of education to reluctantly leave the teaching ranks for other jobs so that they can support their families. For instance, in Yilong County, Sichuan Province, over 7,000 teachers were seven months behind in pay by the end of November 1992, causing 120 grade and high school principals to tearfully resign. And only seven of the 151 high school graduate teachers there in 1991 reported for work at rural grade schools, leaving Yilong County's Nanchong Prefecture with an exceptional shortage of over 500 teachers.

Many teachers are now taking a wait-and-see approach, waiting to see whether the government will take major steps to improve teacher status and raise teaching pay after the "14th CPC Congress." If major steps are not taken, while policies are eased and restrictions reduced on entry to other professions, teacher loss is likely to increase sharply. This means that we need to face up to the reality of a potential crisis in the loss of grade and high school teachers. In a September 1992 questionnaire to 851 teachers in Zhejiang Province, only 36 percent answered "no" to the question, "if possible, would you like to move to another unit?" And 70 percent of the teachers in a similar poll in Tianjin responded that they would not become teachers again if they could choose their profession over. With such conditions in economically developed Zhejiang Province and Tianjin Municipality where teaching conditions are better, one can just imagine the situation in certain other places. [passage omitted]

While how to deal with the teacher loss, in order to keep an abnormal loss of grade and high school teachers from affecting teaching work, is an extraordinarily complex systems problem, many places are regrettably still taking the simplistic and traditional approach to their grade and high school teacher turnover. Level-by-level examination and approval, and even collecting high training fees for transfers without approval, are the most common methods. As reform intensifies, these two methods will not only make it hard to ensure the stability of our grade and high school teacher ranks, but are even likely to have the opposite effect.

That it is possible to join the ranks of grade and high school teachers but not leave, makes teaching a forbidden profession for many high school graduates. Student quality at teachers colleges has been dropping steadily in recent years, which is a more severe regressive loss than the loss of in-service teachers. Moreover, this closed-type surface stability make it impossible for teachers with particular difficulties to get rational transfers, which saps teaching morale.

Collecting high training fees is even less able to solve the problem. For instance, a certain Guangdong city stipulated in May 1992 that the training-fee collection-standards for grade and high school teachers changing profession or transferring to other places were 2,500 yuan for teachers with less than a junior high school education, 5,000 yuan for those with high school diplomas, 7,000 yuan for those with training school educations, and 10,000 yuan for those with college degrees. But once this document was issued, the number of teachers requesting transfers continued to increase steadily anyhow. A certain county in Shaanxi once stipulated that grade and high school teachers leaving the educational system had to pay a fee of 3,000 yuan but, when so many teachers paid the fee and demanded transfers once the document was issued, the country was forced to declare it invalid. Many teachers point out that "while free transfers are allowed in all other sectors, it is

only teachers who are strictly controlled, which shows the government's disregard for teachers." [passage omitted]

Changing Socioeconomic Attitudes of Farmers

93CM0194A Beijing ZHONGGUO SHEHUI BAO
in Chinese 9 Feb 93 p 3

[Article by Meng Lingjun (1322 0109 0689) and Ding Yuefeng (0002 1471 1496): "The Change of Attitude Among Chinese Farmers"]

[Excerpt] [Passage omitted] What changes have the psychological traits of Chinese farmers undergone in the 14 years of reform and opening? While there has generally been a greater and faster transformation in open and developed zones, and less and slower change in more closed and backward regions, a series of changes have undoubtedly occurred everywhere.

I. From a Carefree Acceptance of Fate to an Adventurist Mindset

A carefree acceptance of fate was always a psychological trait of the Chinese peasant, which was expressed mainly in a sense of contentment with their lot. They were complacent about their current hard lives, in place of striving for material comforts, satisfied with their cultural ignorance, instead of searching for truth, and content with the existing environment, meekly submitting to the oppressive arrangements of "the Gods." While this might have once been called a kind of "magnanimity" suited to the traditional cyclical and self-sufficient agricultural economy, it has now become a sort of passive complacency, which severely constrains large numbers of farmers from seeking better material and spiritual lives. As a type of inertia, it inhibits initiative. While many factors have been involved in the slow economic progress of certain regions during the last 14 years of reform and opening, the inability to free themselves from such old ideas, with scrupulously respectful psychological adherence to traditions, striving for safety, and fear of risktaking, has certainly been a key factor.

The exciting thing is that great numbers of Chinese farmers are beginning to undergo a change of mindset, no longer feeling complacent about their destinies, and daring to take risks to better their lives. They are going into business to earn more money, attending night school to learn and master more scientific and cultural knowledge, and building storied and tile-roofed houses in which to live more comfortably. As to the large numbers of farmers in the southeastern coastal zone in particular, risktaking has become the general mindset. Their thinking now goes "while business may be risky, not daring to take risks precludes not only failure, but also absolutely any success." When the floodgates of reform and opening were just beginning to open up 14 years ago, just a few peasants came timidly knocking on absolutely unfamiliar city gates with local specialties, clothing, electrical appliances, and even their own labor, which was the beginning of the great linkup of goods from the

south being sold in the north and vice versa, whose prerequisite was an adventurist mentality. It could thus be said that today's flourishing southeastern coastal zone would have been impossible without either the Third Plenary Session of the 11th CPC Central Committee or the risktaking spirit of the peasants. Of course it warrants attention that some peasants have used improper means of getting rich in violation of national laws, such as stealing, looting, gambling, and smuggling, which they also call risktaking, but which is certainly undesirable.

II. From a Reluctance To Leave the Land to a More Realistic Approach

The traditional Chinese peasant was very reluctant and even unable to leave the land. His most basic means of livelihood was farming. Foreigners often asked: Why did Chinese from the Central Plains continue to hoe and plant when they arrived at the great Inner Mongolian prairies? Could they not see that the land had other uses? This was due to their traditional mentality. Even the Chinese peasants who reached Siberia tested the land to see if it would grow crops despite the harsh climatic conditions. Before long, it had gotten to the point where stories were being told about certain peasants who worked so laboriously in all sorts of weather with no irrigation, paying high prices for chemical fertilizers and pesticides, without even earning enough to pay for their seeds, only to do so well the following year that they could neither sell their grain or cash in the "white slips" they were given in exchange for it, but still continuing to farm the next year anyhow, which went on day after day and year after year until it could truly be said that "a gold or silver nestegg was not as good as one's own piece of land." Such love for and reluctance to leave the land with absolutely no regard for objective conditions was a severe obstacle to economic development.

But such overreluctance to leave the land is now vanishing, with the 14 years of lashing reform waves having washed it away to bring forth a completely new approach of "pragmatic efficiency." To plant or not to plant, and to plant or put the land to other uses, all now depend on market changes. Before long, such large tracts of uncultivated farmland appeared in some areas that certain responsible departments even intervened with executive orders. While planting and weeding is for the purpose of harvesting, a similar amount of time and energy spent in farming or business produces two absolutely different results, which is the pragmatic-efficiency mindset that led to leaving land uncultivated. But after a few seasons, it was this same mindset that has enabled the land to bear fruit again through multidimensional and rational land-use projects in certain southern regions, where some cultivate paddy rice, others grow fruits and vegetables, and yet others have converted to fish- and shrimp-breeding in ponds. Many farmers who do other work in cities and towns still return to the land during busy farming seasons, so that it can truly be said that they are both farmers, workers, and businessmen who are no longer tied to the land.

III. From Collective Dependency to Individual Development

As to the relations between the collective and the individual, Chinese peasants had cultivated a tradition since liberation of emphasizing the collective at the expense of the individual, as well as evolving a stable psychology of deeprooted structures. In the understanding and practice of the collectivist slant, which emphasized collective and national interests at the expense of individual prosperity and freedom, as well as a highly centralized management system, many factors led to peasants developing a sense of collective dependency, which "collectivist" shadow can still be seen hanging over rural areas today. "Socialism does not let people starve," had become the pet phrase of certain lazy Chinese who did not want to work, portraying the sense of dependency, security, and indolence of the collective mindset.

The encouraging thing is that reform and opening, particularly the practice of the household responsibility system of linking remuneration to output, made large numbers of farmers begin to reexamine the status of the individual in the collective. While this change was not synchronized, large numbers of farmers from east and south to west and north began to liberate themselves from such blind faith, starting to get free of their complete dependency on the collective and the state, and "each do their own thing" in a commodity economy. From farming to breeding to transportation, all sorts of specialized households began to spring up and bear fruit everywhere, with people wishing to display their own capabilities and create real farmer value.

This awakening of individual peasant awareness was heartening. It was an awakening from thousands of years of oppression! Of course, it has also produced extreme deviations in recent years, such as the lack of concern for the collective economy and management coordination, the difficulty in meeting fixed procurement quotas, and the too early marriage and childbearing that have not stopped despite the repeated prohibitions. While these involve complex factors, they also show a new individualistic slant in the peasant mindset.

IV. From a Patriarchal Clan Mentality to Less Confining Human Relationships

The traditional Chinese peasant had a strong patriarchal clan mentality, which was also created by thousands of years of feudal society. Human relationships were expressed first in mutual aid within clans and among neighbors, with those in the same clan, with the same surname, and having ties of kinship or friendship naturally evolving a universal force of human relations. And human relationships were expressed next in veneration of clan elders. The authority of clan elders extended to the lives of all clan members, with clans controlling almost all individual thoughts, feelings, and lives. History has no lack of clan elders punishing so-called "offenders of public decency," which were premised mostly on protection of clan status. So comparatively speaking, Chinese peasants have long cultivated a strong patriarchal clan mentality.

A new human relations trait has appeared in recent years. On one hand, the former simple and close contacts are gradually fading away, and beginning to be steadily infiltrated with more material interests. For instance, certain inland farmers have begun to hire others to plant and harvest their fields, and to do certain heavy physical labor. While this does not involve large numbers, it shows the following trend: almost all farmers in the southeastern coastal zone who need workers are tending to hire them from other parts of the country. As the commodity economy has developed, farmers have begun to show their particular prowess and give full play to their abilities. Once formerly close friends and neighbors have taken the plunge into the world of business and emerged on the other side, their differences appear, particularly economic capabilities, which result in varying social standings and reputations, making distancing and loosening of human relationships natural.

Within families, the younger generation of farmers have undergone even greater psychological changes. While there is no shortage in certain areas of young people whose economic activities are still hampered by order of the older generation, patriarchal authority is generally no longer what it once was. The younger generation has taken charge of its own affairs, no longer needing the patriarchal "go ahead." The farmers' desire to throw themselves into the commodity economy tide has undoubtedly become a forceful psychological basis for smashing and replacing the patriarchal clan mentality.

But just as in all aspects of city life, farmers are beginning to worry about this weakening of human relationships, becoming concerned that the "all for money mentality" will become the basis of their human intercourse. [passage omitted]

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EAST REGION

Shanghai Sends Migrant Laborers Back Home

*93CM0188C Shanghai WEN HUI BAO in Chinese
4 Feb 93 p 1*

[Article by Hu Weizu (5170 0251 4371): "The Zhabei District Sends Concerned Staffers to the Shanghai Railroad Station Square, To Urge Outside Migrant Workers Who Have Come Without Plan to Shanghai To Return Home, Maintain Public Order in the Surrounding Area, and Enhance Control of the Public-Square Environment"]

[Text] On the evening of 3 February 1993, the Zhabei District Party Committee and Government organized departments and units, such as the Shanghai Railroad Station District Control Commission Office, the Shanghai Station District Public Security Bureau, the Shanghai Railroad Station Public Security Group, the Zhabei Public Security Bureau, the Zhabei Civil Administration Office, and the Shanghai Railroad Station, to join forces in a concerted operation at the Shanghai Railroad Station Square, in urging outside migrant workers who came to Shanghai without plan to return home, maintaining public order in the station-district public square, and enhancing control of the station and square appearance and environment.

In the last week, about 15,000 outside migrant workers a day have been arriving by train in Shanghai looking for work. Except for those who find work in the city and suburbs, become peddlars, go to live with relatives and friends, or are in transit to places further south, about 25 percent find themselves stuck downtown without jobs. A recent survey by the Shanghai Railroad Station District Control Commission Office of 1,453 such migrant workers stuck in the Shanghai Station Square found that 68 percent came from Anhui Province, with the rest being from provinces, such as Sichuan, Jiangxi, Henan, and Jiangsu. These migrant workers line up in groups during the day waiting to be recruited for jobs or sent outside for work, and camp out at night in the station square, under surrounding bridges, and in store doorways, with several crowded under one blanket, making their own bathroom facilities, and strewing garbage everywhere, which severely pollutes the station district appearance and environment, and causes public security problems.

Yesterday afternoon (3 February), Zhabei District leaders called an emergency meeting of the departments concerned to discuss countermeasures. The concerned units sent over 200 public security police and cadres to the station square to publicize Shanghai's conditions and hiring system to the migrant workers, urging those who had come to Shanghai without plans and could not find work to return home as quickly as possible and go on with their lives. Zhabei District leaders also went to the square to take part in the job of propaganda and urging to return home. By the time the news reached the media, they had successfully urged a number of migrant workers to return home, conducted on-the-spot propaganda and

persuasion among over 1,000 migrant workers who were stuck in the square, and also housed some of the homeless.

The Shanghai Railroad Station Control Commission Office has called on governments in all areas to enhance their propaganda in order to persuade local workers not to come to Shanghai without plans, in order to reduce the spring-transport pressure on the Shanghai station district, and preserve Shanghai's image as a land gate.

Shanghai Ideological Work Must Serve Economy

*93CM0188A Shanghai WEN HUI BAO in Chinese
11 Feb 93 p 1*

[Article: "We Must Closely Focus on Economic Development, by Raising Our Propaganda and Ideological Indoctrination to New Heights"]

The Shanghai Municipal Party Committee's Propaganda Department holds a working conference to plan 1993's propaganda and ideological indoctrination work, at which Chen Zhili (7115 5267 4539) speaks and Jin Binghua (6855 3521 5478) conveys the spirit of a national forum of propaganda department directors.]

[Text] On 10 February 1993, the Shanghai Municipal Party Committee's Propaganda Department held a working conference at the Shanghai Exhibition Center on Shanghai's 1993 propaganda work. There were over 800 participants, including the party committee secretaries in charge of propaganda work, propaganda ministry (department) directors, and concerned cadres from all commissions and offices, district and county bureaus, colleges and universities, and scientific research institutes. The conference theme was acting in the spirit of the 14th CPC Congress and the Sixth Shanghai Party Congress, by using Comrade Deng Xiaoping's theory of building socialism with distinct Chinese characteristics as a guide for planning Shanghai's 1993 propaganda and ideological work.

Municipal Party Committee Standing Committee Member and Propaganda Department Director Jin Binghua conveyed the spirit of a national forum of propaganda department directors. He spoke as follows: The Central and Municipal Party Committees are paying particular attention to propaganda and ideological indoctrination. Our propaganda and ideological work is at a very favorable point in time, being of particular importance under the new conditions. We must be guided by Comrade Deng Xiaoping's theory of building socialism with distinct Chinese characteristics, in taking on propaganda about and indoctrination in the theory of socialism with distinct Chinese characteristics and the party's basic line as our essential new-age propaganda and ideological missions. Our propaganda and ideological work must be focused on economic development, and must serve economic development, reform, and opening. We need to build a better corps of propagandists and ideological indoctrinators who can grasp the essentials, deal with major issues, highlight priorities, and achieve practical results.

After reviewing 1992 propaganda and ideological work achievements, Jin Binghua laid out Shanghai's 1993 propaganda and ideological plans as follows: Our 1993 propaganda and ideological work must be led by the Municipal Party Committee in more conscientiously studying and better implementing the spirit of the 14th CPC Congress and Comrade Deng Xiaoping's key speeches, conscientiously carrying out all of the missions laid out by the Sixth Shanghai Party Congress, being guided by Comrade Deng Xiaoping's theory of building socialism with distinct Chinese characteristics, adhering unwaveringly to the basic line of "one center, two essential focuses," and better serving Shanghai's economic development, reform, and opening. We must persist in our policy of building a better spiritual civilization, by focusing closely on Shanghai's 1993 reform, opening, and economic development goals and missions, adhering to a correct media orientation, enhancing and advancing our propaganda and ideological work, fully launching patriotic, collectivist, and socialist indoctrination, further invigorating our theoretical studies, promoting literature, art, press, and publications prosperity, preserving and developing our fine ideological public opinion climate, doing all we can to make progress, emphasizing truly solid work, and striving to push Shanghai's material and spiritual civilizations to new heights.

Ms. Chen Zhili also spoke at the conference as follows: In 1992, party committees and propaganda and ideological work departments at all levels through Shanghai adhered to the party's basic line, conscientiously studied and publicized the spirit of Comrade Deng Xiaoping's speeches on his tour of southern China and the 14th CPC Congress, persisted in the "dual tactics" (economic flexibility and political rigidity), did much work in guiding the vast numbers of cadres and the public to free up their thinking, learn about economics, and intensify reform and opening, and played a positive role in speeding up Shanghai's pace of vigorous development. As to our 1993 propaganda work, we must make the arming of the whole party with Comrade Deng Xiaoping's theory of building socialism with distinct Chinese characteristics our key propaganda and ideological mission, stress study and publicity of the theory of building socialism with distinct Chinese characteristics, and use this theory to guide all of our propaganda and ideological front work. We must focus our propaganda and ideological work closely on the key task of economic development, which is a requirement of the party's basic line, as well as an essential mission of our new-age propaganda and ideological work. We must strive to improve the quality of Shanghai residents, as a better urban civilization is a key aspect in the building of Shanghai's spiritual civilization. We must seize the opportunity of the East Asian Games being held in Shanghai to do a good job in areas such as urban administration, appearance, and sanitation, launch all sorts of cultural service activities, and develop a better work ethic. And we must stress ideological indoctrination in patriotism, collectivism, and

socialism, by emphasizing improvement of urban residents' ideological ethics quality, literary and scientific knowledge, and job performance to adapt to the needs of reform, opening, and modernization.

Chen Zhili pointed out lastly that party committees at all levels throughout Shanghai must act in the spirit of the Central Committee and the Municipal Party Committee, by conscientiously enhancing their leadership of propaganda and ideological work, building a better corps of propagandists and ideological indoctrinators, and arousing the initiative of all to raise Shanghai's propaganda and ideological work to new heights and contribute to the force of Shanghai's vigorous development.

The conference was chaired by Municipal Party Committee Propaganda Department Deputy Director Sun Gang [1327 0474], and attended by Municipal Party Committee Deputy Secretary-General Feng Guoqin [7458 0948 0530], and Municipal Party Committee Propaganda Department deputy directors Gong Xinhua [7895 1800 3466], Xu Junxi [1776 0193 6007], and Yin Jizuo [1438 4949 0146].

Shanghai Railroad Station Deals With Migrant Laborers

*93CM0188B Shanghai WEN HUI BAO in Chinese
4 Feb 93 p 1*

[Article by Zheng Wei (6774 5588): "As 100,000 Migrant Workers Pour Into Shanghai, the Shanghai Railway Bureau Steps Up Efforts To Turn Them Back, Temporarily Arranging Additional Passenger Trains To Return to Their Places of Origin the Migrant Workers Who Have Come Without Plan to Shanghai Looking for Work"]

[Text] Confronted with the severe challenge of 100,000 migrant workers pouring into Shanghai since the Spring Festival, the Shanghai Railway Bureau has decided to take a number of steps to stem the flow of migrant workers. To ensure the safety of workers passing in and out of Shanghai, the Shanghai Railway Bureau is arranging about a dozen additional temporary passenger lines to return to their places of origin the migrant workers who have come without plan to Shanghai looking for work.

The floods of migrant workers that have been pouring into Shanghai since 27 January 1993 have put great pressure on railway transport. On 31 January, migrant workers from provinces, such as Anhui, Sichuan, Jiangsu, Jiangxi, and Fujian, abruptly pushed the Shanghai Railway Bureau's passenger volume up to 520,000, which then skyrocketed to 640,000 on 1 February, passing the former passenger volume record of 570,000 for 1 day. Migrant workers from all over crowded stations in cities, such as Bengbu, Nanjing, and Yingtan, flooding toward cities, such as Shanghai and Xiamen. In order to disperse the pressure of these migrant workers, the Shanghai Railway Bureau has increased its temporary passenger trains to 776 by adding 72 temporary beyond-plan passenger trains and

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cancelling over 150 freight trains, which has lowered its freight transport by 390,000 tons and created a huge overstocking of freight at all of Shanghai's key transportation hubs.

The reporter learned from the Shanghai Railroad Station that ever since 27 January, more than 10,000 migrant workers a day have been pouring into Shanghai, of whom 70 percent are from Anhui Province and without jobs. Only about 30 percent of the 100,000 migrant workers who arrive in Shanghai are in transit to somewhere else. While most of these migrant workers come to Shanghai to do manual labor in Pudong or farmwork in Fengxian County, their lack of jobs and living and eating arrangements leaves about 1,500 a day camping out at the Shanghai Railroad Station district. Thus, in order to ensure worker safety, the Shanghai Railroad Station has put government functionaries on night duty at railway platforms to prevent injury or death in boarding or leaving trains by migrant workers arriving in Shanghai. In order to ensure that those who are willing to return to their places of origin can get out of Shanghai, the Shanghai Railway Station has set up additional transfer-tick windows, where cut-rate spring-travel tickets that are in short supply are sold, so that migrant workers are ensured a prompt departure from Shanghai. In the public square crowded with migrant workers in front of the Shanghai Railroad Station, I interviewed several peasants from Baoji Prefecture, Jiashan County, Anhui Province who had been in Shanghai for three days, originally planning to get work and make money in Pudong, but now stuck between a rock and a hard place. One migrant worker from Sihong, Jiangsu said that he had been in Shanghai for five or six days, spent all his money, and wanted to return home, so was very glad to hear that the railway department was organizing trains to send migrant workers back home.

In order to ease its migrant-worker passenger flow, the Shanghai Railway Bureau is taking steps such as putting on extra, long- and short-distance, and beyond-plan temporary passenger trains. It ran 21 such temporary passenger trains on 3 February, and will run another 22 on 4 February.

Postscript

Ever since the beginning of the Lunar New Year, large numbers of migrant workers from provinces, such as Anhui, Jiangxi, Jiangsu, Hubei, Hunan, and Sichuan, have been flooding into Shanghai, putting enormous pressure on Shanghai's railroads, traffic, and public order. The sight of thousands of migrant workers from other places breaking train windows and camping out in the station square is truly worrisome and alarming.

Many of these migrant workers come to Shanghai looking for "job handouts." Shanghai's development in recent years, particular Pudong's development and opening, has become the focus of national and even worldwide attention. While it is understandable that migrant workers from other places favor Shanghai, the city of Shanghai per se already has a very dense population, with enterprise

reform having already pushed many workers out of their jobs to look for new ones. As Pudong's development and opening will take time and place high demands as a new zone on talent and labor quality, manual-labor jobs are certainly not to be found everywhere. Therefore, outside migrant workers need to understand this and act more cautiously and reasonably.

Faced with the great pressure of 100,000 migrant workers crowding in, all concerned sectors need to take emergency measures to conscientiously and appropriately ease this pressure. As this will affect not only Shanghai's stable development, but also the safety and interests of outside migrant workers, it is hoped that the brothers and sisters in the migrant-worker ranks will be supportive and cooperative.

NORTHEAST REGION

Work Report of 6th Jilin Provincial CPPCC Standing Committee

93CE0341A Changchun JILIN RIBAO in Chinese
Jan 30 p 2

[Report by Li Guotai (2621 0948 3141): "Sixth Jilin Provincial CPPCC Standing Committee Work Report—(Delivered at the First Session of the Seventh Jilin Provincial CPPCC on January 9 1993)"]

[Text] Dear Committee Members:

On behalf of the Sixth Jilin Provincial CPPCC Standing Committee, I hereby submit to you a work report on major tasks accomplished in the last five years.

Over the last five years, under the leadership of the Jilin Provincial Party Committee, we have steadfastly implemented the party's basic line and general and specific policies and have upheld and perfected the CPC-led system of multiparty cooperation and political consultation. We have unified the democratic parties and factions, nonparty patriotic personages, members of mass organizations, and representatives of all nationalities and all circles. We have carried out in full the CPPCC's functions and have made our due share of contribution toward accelerating the pace of socialist modernization and reform and opening up, strengthening the socialist democratic and legislative systems, and promoting the peaceful unification of the fatherland.

I. Insist on Making Economic Construction the Core and Diligently Carry Out the Basic Functions of Political Consultation and Democratic Supervision

Since the Third Plenary Session of the 11th Party Central Committee, China has shifted its main tasks onto the economic construction track. Liberating and developing the productive forces has become the central task of the CPC and the people. This committee has also consciously obeyed and served this core and has played an indispensable role via various channels and formats. Over the last five years, we have held five plenary sessions, 24 standing committee meetings, and 42 presidiums and have gathered 1,227 pieces of CPPCC proposals—at response rate of 99.4 percent. We have

launched 64 special investigations and prepared 108 investigative reports. We have arranged 62 observation tours, which were participated by 1,025 committee members, and we have held 27 public meetings and 88 assorted symposiums. In these activities, we have insisted on making economic construction the core and have diligently carried out our political consultative and democratic supervisory functions, fulfilling our responsibilities toward making the Jilin Provincial Party Committee and the provincial government more democratic and scientific.

We have diligently discussed the government's work reports of past years and the Eighth Five-Year Plan and 10-year program, and we have put forward our ideas and suggestions. Since 1988, the provincial government has made it a practice to put each year's work report and other reports before the plenary sessions of the provincial CPPCC for consultation and deliberation before presenting them to the Provincial People's Congress, thus making sure that consultation always comes before decisions. Subsequent to the promulgation of the "Outline of Jilin Province's 10-Year Program for Economic and Social Development and Eighth Five-Year Plan (Draft)," this committee convened its 18th standing committee meeting to discuss the matter. Members of the standing committee who attended the meeting put forth many ideas and suggestions on changes with regard to the overall developmental strategy and how to improve the large- and medium-sized state-owned enterprises, improve economic efficiency, readjust the industrial structure, enliven circulation, further open up the province, and to strengthen science and education, radio and television broadcast, and environmental protection and so on. Their ideas and suggestions were valued by the provincial government.

We conducted several investigations and held repeated discussions on the question of how to make agriculture more profitable. Since 1989, for three years in a row, we have sent more than 50 members to almost a hundred villages and towns in a dozen cities and counties to conduct on-the-spot studies and have prepared one formal proposal and six reports and held three standing committee meetings to conduct democratic discussions. In 1991, this committee arranged a group made up of old comrades who had been long-time leaders in agricultural affairs, agricultural experts, and scholars to conduct a study which lasted more than two months, and they wrote the "Investigative Report on How To Improve the Economic Efficiency of Jilin's Agriculture." The report cited many facts to show how Jilin's grain production efficiency had declined over the years. It analyzed the causes and suggested some countermeasures. Upon ratification by the 19th session of the Standing Committee meeting, the report was delivered to the Jilin Provincial Party Committee, the provincial government, and the CPPCC National Committee in the form of a standing committee draft resolution. The Office of the Provincial Government sent an official letter to our general office and gave clear responses to specific suggestions. The

16th Standing Committee of the CPPCC National Committee published the draft resolution, and Vice Chairman Qian Zhengying wrote the official comment. Meanwhile, the Office of the State Council selected four suggestions and forwarded them to leading comrades of the State Council. In its official comment, it said, "Enclosed is the 'Draft Resolution on Improving Agriculture's Economic Efficiency' put forward by the Jilin Provincial CPPCC. The article detailed some serious and practical problems faced by provinces where agriculture plays a relatively important role. Its suggestions pertain to the important matter of how to stabilize agriculture and the rural economy." During this period, we also conducted several investigations, studies, and special symposiums on the reform of the province's agricultural system, grain management, management and sale of agricultural means of production, rural diversification, development of township enterprises, and the use of science and education to invigorate agriculture and so on. The committee members have done their utmost and have made many positive contributions toward opening new prospects in Jilin's agriculture and rural areas and toward promoting rural reform and economic development.

This committee has actively devised measures addressing existing problems in the large- and medium-sized state-owned enterprises. In 1990, we convened the 15th session of the standing committee meeting to hear reports on Jilin's economic situation from leading comrades of the provincial government, to reaffirm the economic development efforts made by governments at all levels, to pinpoint existing problems in the industrial sector, and to make suggestions on how the large- and medium-sized state-run enterprises could extricate themselves from their predicament and end their plight. Subsequently, we convened an economic work symposium which was attended by more than 20 committee and standing committee members. They came up with more than 40 ideas and suggestions on rectification and improvement, reform and opening up, and on how to invigorate the economy and improve the large- and medium-sized state-run enterprises. In 1991, subsequent to the Party Central Committee Work Conference and the Provincial Party Committee Work Conference, we arranged for several standing committee and committee members to go to the large- and medium-sized state-run enterprises to conduct studies. They wrote six reports, including the "Investigative Report on the Economic Efficiency of Jilin's Industries," "Thoughts on Further Improving and Invigorating the Large- and Medium-sized State-Run Enterprises," and "Suggestions on Vigorously Preserving the Production and Management Superiority of Jilin's Ferroalloy and Carbon Plants." Ideas and suggestions presented in these reports have since been incorporated into relevant policies drawn up by the government. In 1992, the Party Central Committee and the State Council made the decision to change enterprises' management mechanisms and the Jilin Provincial Party Committee issued the call to step up Jilin's economic development, and subsequently, we

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arranged for several standing committee and committee members to go to six of the province's large- and medium-sized enterprises in four localities to conduct studies. They submitted an investigative report entitled "Accelerating the Change in Management Mechanisms Is Critical To Stepping Up Jilin's Economic Development." Upon ratification by the CPPCC Standing Committee, the report was sent to the Jilin Provincial Party Committee and the provincial government.

We have worked out programs to develop Jilin's export-oriented economy and to open up Hunchun City. In early 1988, the Party Central Committee put forward the coastal economic development strategy that triggered strong nationwide response. To help the provincial party committee and provincial government seize the moment and make a strategic decision to develop Jilin's export-oriented economy in a practical and realistic way, we gathered 118 committee members and experts and scholars for a special forum. Based on the participants' ideas and suggestions, we wrote the "Suggestions on Strengthening Jilin's Export-Oriented Economy and Accelerating Its Economic Growth" and "Forum Summary" which were submitted to the provincial party committee and the provincial government. The Office of the Provincial Party Committee in turn asked the relevant departments to study the suggestions and put the ideas to work. After the provincial government made the decision to build the Hunchun Economic Development Zone, leading comrades of this committee spearheaded a study and, over a period of three years, made three visits to Hunchun and delivered three separate proposals: In 1990, we proposed further smoothing relations and strengthening the port's unified management. In 1991, we proposed drafting a major policy toward Hunchun and giving the city much publicity to help it make bigger strides. In 1992, after Comrade Deng Xiaoping delivered his major speech during his tour of the south, this committee and the Yanbian Autonomous Prefectural CPPCC quickly organized a joint investigative team to conduct a thorough study on the opening up and the economic development of Hunchun and came up with 10 suggestions. The provincial government immediately sent 17 managers from the various committess, offices, departments, and bureaus, to Hunchun City to meet with comrades of the joint investigative team and work on location. The study and the suggestions made by the provincial and prefectural CPPCC had a positive effect on the opening up and the development of Hunchun.

CPPCC draft resolution is an important format whereby the CPPCC can focus on economic construction and carry out diligently its political consultative and democratic supervisory functions. It is an important channel for the CPPCC committee members, the democratic parties, and mass organizations participating in CPPCC to take part in government and politics and help the CPC and the people's government make democratic and scientific decisions. After the promulgation of the CPPCC National Committee's "Provisions on Draft Resolutions," this committee drew up detailed rules and regulations to make the drafting of resolutions an orderly,

planned, and organized process, so that they are taken even more seriously. Many of our motions have played an important role in the formulation and implementation of important general and specific policies; they have tremendous social and economic benefits.

II. Raise the Banner of Socialism and Patriotism and Reinforce and Develop the Patriotic United Front

In recent years, this committee has upheld the banner of socialism and patriotism, unified all forces that could be unified, mobilized all positive factors, developed the broadest patriotic united front, and has created a stable and unified social environment to facilitate reform and opening up and economic construction. During the political turmoil that erupted between spring and summer of 1989, we made stabilizing the situation our paramount political task, and under the leadership of the Jilin Provincial Party Committee, we vigorously worked on the province's stability and unity. During that period, we held two separate standing committee meetings and five symposiums which were attended by members of democratic parties and association of industry and commerce as well as nonparty personages. By studying party documents and analyzing the situation, we reached a common understanding and made it clear that we opposed the uprising, and throughout the period, we took our political stand alongside the Party Central Committee. Many committee members used their status and influence to resist outside pressure and denunciation and took the initiative to guide and unite the people, thus contributing to Jilin's stability. After the political storm blew over, we convened the ninth standing committee conference and other meetings to study the party Central Committee leading comrades' important speeches and the gist of the Fourth and Fifth Plenary Sessions of the 13th Party Central Committee. We agreed with and supported wholeheartedly all decisions made by the party Central Committee and put before the Jilin Provincial Party Committee our own ideas and suggestions on strengthening the CPC's leadership, strengthening ideological and political work, and on building a democratic legislative system and so on. Having withstood the test of this complex political storm, the political foundation of cooperation between the CPC and the democratic parties has become even more solid. The political staunchness displayed by CPPCC's at all levels and by many CPPCC members and the important role they played have added luster to the CPPCC.

In July 1992, adhering to the gist of Comrade Deng Xiaoping's important speech delivered during his southern tour, the Jilin Provincial Party Committee promptly called upon the people of the whole province to seize the opportunity and struggle for three years to put Jilin's economy onto a higher platform. To this end, we convened the 23rd standing committee meeting. Committee members who attended were driven by the desire to serve the country and by their sense of responsibility as their own masters. They adhered to the main theme of thorough reform, further opening up, and putting Jilin's

economy onto a higher platform and spoke freely and helped make plans and devise strategies. Subsequent to the 14th National Party Congress which attracted world attention, the provincial CPPCC immediately convened an expanded meeting and invited members of the CPPCC National Committee, leaders of the democratic parties and nonparty personages, as well as some members of the provincial CPPCC standing committee and committee to diligently study and discuss the gist of the 14th National Party Congress. We were determined to follow the theory and party line of building socialism with Chinese characteristics and work hard to raise CPPCC's work standard. With the new development, Jilin's patriotic united front now stands on a common political foundation and is further reinforced and developed.

We have organized and encouraged our members to voluntarily study Marxism, Leninism, and Mao Zedong Thought. In the last five years, 25 assorted study report meetings, recorded report meetings, and study forums have been held, and more than 1,600 people have participated in them. We had three sessions of new committee member study classes and county-city-district CPPCC presidium training classes, and 114 people took part. We edited and published 60 issues of XUEXI ZHILIAO [STUDY MATERIALS], with 230,000 copies in circulation. We have created a good environment to help the CPPCC members learn more, attain a higher political standard, and do a better job when participating in government and political discussions.

In the wake of the formulation of the general principle of peaceful unification of the fatherland and gradual implementation of the idea of "one nation, two systems," we have stepped up our public relations work in Taiwan, Hong Kong, Macao, and overseas. Under the patriotic banner and on the principle that we are in the same patriotic family and that there is no order in being patriotic, we share the same ideas about patriotism and unification of the fatherland but we also tolerate the differences in our social systems, ideologies, and lifestyle; and on that basis, we have continued to broaden the scope of friendship, which has also enriched our work. Our "bridge-building" projects have included "bridges of friendship" and "bridges of overseas Chinese," thus combining economic work with public relations work. We have worked hard to promote the peaceful unification of the fatherland, invigorate Jilin, and give play to the unique character and superiority of CPPCC. In the last five years, we have received 66 groups of Taiwanese compatriots and their relatives, overseas compatriots, Chinese people, and international friends—totaling 222 people. We have hosted 17 parties, tea, and commemorative meetings and visited more than 350 "three kinds of compatriots" and their families and have held a grand celebration on the 80th anniversary of the Revolution of 1911 and the 40th anniversary of the founding of the CPPCC. We have carried on the revolutionary tradition, exalted the patriotic spirit, and have further reinforced and developed the patriotic united front.

III. Devise Strategies To Develop the Socialist Spiritual Civilization and Democratic Legislative System Via Different Channels and Different Formats

Education, science, and technology have always been an important part of political consultation and democratic supervision and have always had the committee members' full attention. In past CPPCC meetings, discussing science and education has taken up most of the committee members' time. In their extensive tours and studies, science and education have also been the focus of their attention. In 1989, we organized committee members in education circles to conduct a study in the cities of Yushu and Jiaohe regarding the implementation of the nine-year compulsory education program. Subsequently, they wrote the "Investigative Report on Middle and Elementary School Dropouts" and "Investigative Report on Middle and Elementary School Teachers' Salary" which dealt with problems common in many middle and elementary schools. They made eight suggestions which the provincial government formally handed down to the local units and to units directly under its own jurisdiction.

Medicare and public health and family planning are hot issues that affect the masses personally. In recent years, we have organized committee members to conduct repeated studies on rural public health, venereal diseases, rabies, family planning, the restructuring of the medical and health units, and the implementation of the "Food Law" as well as medical ethics and workstyles of doctors, etc. They have written six reports, among them, the special studies on family planning and rural medical and health work were made jointly with the CPPCC National Committee's medical and health committee. Many of their suggestions and ideas have been incorporated into the CPPCC National Committee's documents.

When the party Central Committee handed down the "Circular on Further Strengthening and Improving Intellectual Work," we created the intellectual work study group. From November 1990 to April 1991, it conducted a five-month long study of the province's cultural, educational, public health, and science and technology systems and held a series of symposiums and debates with more than 130 intellectuals and managers from 24 grassroots units and wrote the "Investigative Report on Issues Pertaining to Intellectuals" and its two appendices. The report urged the provincial government to resolutely adopt necessary measures to vigorously improve the conditions under which intellectuals work and study, to hand out hefty rewards to intellectuals who made important contributions, and to give full play to the intellectuals during reform and opening up and in the modernization process. These suggestions reflected the aspirations and hopes of the masses of intellectuals.

With respect to democracy and the legislative system, we took the initiative to participate in legislative consultation and supervision of law enforcement. Committee members held symposiums to discuss more than 20 national and local laws and regulations, including the

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"Draft of the Basic Law of the Hong Kong SAR," "Law on Assembly, Procession, and Demonstration," and "Decisions on the Comprehensive Management of Jilin Province's Public Security," and made valuable suggestions on various amendments. The committee members also studied the implementation of the "Land Law," "Enterprise Law," "Provisions on Protecting Women Workers" and made suggestions to the government and the relevant departments on how to improve the process. Based on the principle that laws should be "few but to the point" and "focused on the important," we conducted 19 special studies on public security, nationality, and religious matters; more than 110 committee members took part in the studies. The result was 12 reports, among them, the report on the implementation of the land law was of special interest to the State Land Administration Bureau.

Thirty years ago, Premier Zhou Enlai advocated the gathering of cultural and historical materials. This has developed into a socialist cultural undertaking with united front characteristics. In the last five years, we have gathered voluminous historical materials on the Republic of China, the Manchurian puppet regime, the War of Liberation, and the founding of the PRC; they totaled 4.8 million words. The following six books have already been published: *Huiyi Yang Jingyu* [2799 7231 1342] [*Remembering Yang Jingyu*], *Jiu Yiba Shibian Ziliao Huibian* [*Compilation of Materials on the September 18th Incident*], *Aiguo Jiangling Feng Zhanhai* [7458 0594 3189] [*Feng Zhanhai, A Patriotic General*], *Jilin Banian* [*Jilin Centennial*], *Jilin Manchu* [*The Man Nationality in Jilin*], and *Jilin Chaoxianchu* [*The Chaoxian Nationality in Jilin*]. They totaled 2.6 million words. Among them, *Jilin Centennial* and *The Man Nationality in Jilin* were award best publications by the 15 northern provinces. Our Cultural and History Committee also worked with the Hebei Provincial CPPCC's Cultural and History Committee to compile the *Rijun Qinhua Canan Zonglu* [*Comprehensive Record of Atrocities During the Japanese Invasion of China*] and *Zhongguo Tufei* [*China's Bandits*], and we also worked with the National CPPCC's Cultural and Historical Data Research Committee and compiled *Wenshi Huicui* [*Essential Literature and History*] (Jilin Edition) and the *Xinhai Geming Zai Jilin* [*The Revolution of 1911 in Jilin*]. In 1988, with the support of the National CPPCC's Cultural and History Committee, we began compiling the *Yimanzhouguo Shiliao Congshu* [*Historical Materials on the Manchurian Puppet Regime*] which contains 11 volumes and 5.5 million words and will soon be published. This book has been included by the Press and Publication Administration in the Eighth Five-Year Plan publication list. In recent years, we have also reviewed and spread Liaoyuan and Jiaohe cities' CPPCCs' experiences in using historical accounts to educate the young people on socialism, patriotism, and the revolutionary tradition. It has produced good social effects and has evoked repercussions throughout the province.

IV. Uphold and Perfect the System of Multiparty Cooperation and Political Consultation Under the CPC's Leadership and Gradually Turn Political Consultation and Democratic Supervision Into a Regular, Systematic, and Standardized System

By studying and following the "Party Central Committee's Suggestions on Upholding and Perfecting the System of Multiparty Cooperation and Political Consultation Under the CPC's Leadership" (also known as Central Committee Issuance [1989] Document No. 14,) the Sixth Jilin Provincial CPPCC has implemented the National CPPCC's "Temporary Provisions on Political Consultation and Democratic Supervision" and the Jilin Provincial Party Committee's "Provisions on Strengthening Political Consultation and Democratic Supervision" (referred to as the "Two Provisions" below) and has enhanced the CPPCC's status and role.

In accordance with Central Committee Issuance [1989] Document No. 14, we have worked hard to give play to the role of the democratic parties, association of industry and commerce, and nonparty personages in the CPPCC. They make up a fair share of the standing committee and the CPPCC leadership and can choose their own cadres to assume leadership role on a full or part time basis in various special committees. The democratic parties are always notified of every major CPPCC event, so that they are well-prepared. Irregular meetings as held between the secretary general of the provincial CPPCC and secretaries general of various democratic parties to communicate, exchange ideas, and discuss issues. Leading comrades of this committee often visit various democratic parties, and whenever they are working on location, they would go to the local CPPCC and democratic party organizations to help solve any practical problem.

To further standardize the standing committee's activities, we have followed the "Two Provisions" and promulgated the "Standing Committee Work Regulations" which stipulate the duties and work procedures in all standing committee and presidial meetings. The special committees have also promulgated their own "Organizational Rules" and "Work Rules" to clarify each committee's nature, duties, responsibilities, and work rules and method. These have helped make sure that the committees' work follow the proper procedure. In addition, we have promulgated the "Brief Rules on Inspections Conducted By CPPCC Committee Members" which clearly specifies the goals, formats, and the proper ways to handle suggestions submitted by committee members conducting inspection tours. In the wake of the formulation of the above series of rules and regulations and systems, and with the Central Committee Issuance [1989] Document 14 and the "Two Provisions" as core, we have created a fairly complete system, so that all meetings and activities are conducted according to proper procedure, and we have normalized, institutionalized, and standardized the political consultation and democratic supervision process.

In order to further publicize the system of multiparty cooperation and political consultation under the CPC's

leadership, in 1991, this committee and the provincial reporters' association launched a news evaluation system. We encouraged the news-reporting units and reporters to be more enthusiastic about publicizing united front and political consultation work. XIES-HANG XINBAO [CONSULTATION NEWS] has played an increasingly bigger role in guiding public opinion and has become an important medium for publicizing the system of multiparty cooperation and political consultation under the CPC's leadership and for reinforcing and developing the patriotic united front.

V. Continuously Strengthen the Committee's Own Reform and Development and Forge Stronger Ties and Provide Better Guidance Toward the City and County CPPCC's

How well the CPPCC organs function will directly affect its members' enthusiasm and the role it plays. In recent years, this committee has continuously strengthened its organs by reinforcing ideological and political work, establishing rules and regulations, and improving the quality of the contingent of cadres. We have gathered the cadres and the masses to study the party's general and specific policies and united front theories, exalted the professional spirit, carried on and expanded the fine tradition of the united front, strived to turn the CPPCC organs into "spiritual civilization units that advocate moderation, that have a strong sense of democracy, maintain a good workstyle, work diligently, treat people sincerely, and give play to the body of CPPCC as a whole."

Historically the CPPCC had installed internal committees and work groups, but they were too scattered, which made things inconvenient, and the Fifth Provincial CPPCC Committee abolished the work group system and replaced it with five committees and offices: Economics and Science and Technology, Culture and Education, Unification Of the Fatherland, Motions, and Literature and History. Based on that, and with the provincial party committee's approval, the Sixth Provincial CPPCC Committee added the Social Legislative Committee to further clarify the nature and work areas of various special committees and amplify and strengthen our leadership. In this way, we have made it easier for the special committees to forge ties with the outside world and for the committee members to work within their own areas.

With the support and assistance from the Jilin Provincial Party Committee, the provincial government, the Changchun City party committee, the city government, and other relevant provincial and city departments, the provincial CPPCC spent one year and three months' time to complete its large office building. This building has provided a good place for the committee members to take part in political consultation and discussion and has enriched their cultural life.

While making itself a better organization, this committee has also paid attention to improving relations with and providing stronger guidance to the city and county CPPCC's. During the last five years, we have hosted two

province-wide CPPCC system exchange of work experience meetings, two on-the-spot meetings, and one work discussion meeting, and the special committees and offices have convened 25 special meetings. In particular, the province-wide CPPCC system forum to study Gongzhuling City CPPCC's work experience held last October has given impetus to the province's CPPCC's at all levels and has brought new prospects for the province's reform and opening up and economic construction. In addition, through the province-wide CPPCC system's evaluation program honoring progressive groups and workers and the "best essay," "best investigative report," "best news reporting," and "best proposal," we have further mobilized the province's CPPCC's at all levels to do a better job.

In the last five years, although we have done much to improve our performance and our image successfully, under the present circumstances, we still have not done enough: 1) Our democratic supervision is inadequate, especially when it comes to the Constitution and the law. 2) We have not sufficiently broadened our ties; we need to work harder to keep in regular touch and communicate better with committee members outside of the region, to help them stay informed and put in their effort. 3) There is little face-to-face discussion and feedback between the government and the CPPCC on ideas and suggestions presented after the studies. 4) Under the new circumstances, there is a need to further study and improve ways to keep in close touch with the democratic parties and association of industry and commerce to bring them into full play. 5) The organs must provide the committee members with better services.

Dear committee members:

Looking back at the last five years, we feel that the CPPCC has played a unique role in China's political life. Under the leadership of the CPC, all major issues concerning the national economy and the people's livelihood are consulted with CPPCC and resolved by the People's Congress and the decisions implemented by the people's government. This political system fully manifests the unique characteristics and the superiority of China's extensive people's democracy. How can we understand CPPCC's role and function from the high plane of the socialist political system and the development of socialist democratic politics and in turn increase our sense of mission, responsibility, and urgency and strive to do a better people's political consultation job? We offer the following ideas:

To make people's political consultation successful, we must rely on the party's leadership, the government's support, cooperation from all quarters, and the CPPCC's hard work. The CPC's leadership is the important guarantee of the success of the CPPCC. In recent years, this committee has continuously reinforced the concept of CPC leadership and the need to steadfastly uphold the party Central Committee's line and general and specific policies under all circumstances. All important matters must be promptly reported to the Jilin Provincial Party Committee for instructions, and the provincial party

committee's decisions and resolutions must be carried out and implemented diligently. We must consciously put our work onto the CPC leadership's track and stand united with the party Central Committee in thought and in deed.

Under the new situation, many of the regular political consultative and democratic supervisory activities are conducted between the government and the CPPCC. The government's support and cooperation are crucial to the success of political consultation and democratic supervision. Based on past experiences, the Sixth Provincial CPPCC Committee has strengthened its ties with the provincial government and has revolved around the government's central tasks and taken the initiative to conduct studies; it has actively worked with the government and presented the government with its suggestions and ideas, serving as its advisor. In return, the provincial government has also established ways to strengthen its ties with the provincial CPPCC and has drawn up regulations to have the leaders of the provincial CPPCC present at relevant provincial government meetings and has set rules to deal with CPPCC motions. It has also made it a point to keep the CPPCC promptly informed and to promptly consult it on important matters.

As the CPPCC's role continues to grow, various special committees have delved deeply into the political, economic, and cultural, and social realms and established an intimate relationship with the relevant party and government departments. They have exchanged reports and conducted investigations and studies together and have discussed and exchanged viewpoints and ideas on important matters. In fact, the special CPPCC committees and some party and government departments have created their own level and channel of political consultation and democratic supervision.

If political consultative work is to succeed, CPPCC members and staff must constantly improve themselves and better themselves and strive to accomplish something. Everything takes human effort, but where there is the will, there is the way. Those who are willing to make an effort will gain respect; those who accomplish things will gain support, and those who contribute will gain status. This is our basic belief.

This committee owes everything it has achieved and all the contribution it has made toward the patriotic united front and toward promoting socialist democracy and the legislative system in the last five years to the strong leadership of the party committees at all levels, to the government's active support, and to the effective cooperation from all quarters.

To give play to the CPPCC's role, we must revolve around the party and do what the CPPCC is supposed to do. People's political consultation work encompasses a large area, and we must emphasize the core and focus on the theme, and only then can political consultation and democratic supervision be successful. Economic construction is the central task of the party committees and governments at all levels; it is also the CPPCC's central

task. But the CPPCC's economic construction work is different from that of the party committees and the government. We must do what we are supposed to do, bring out our unique characteristics, and give play to our superiority. In other words, we must revolve around the party and do what the CPPCC is supposed to do. In recent years, we have reviewed our own work experiences and that of the city and county CPPCC's and have established the "five insists":

One, insist on emphasizing and discussing important matters and deliver a few more investigative reports and proposals of substance. This means revolving around the basic line of "one core and two basic points," emphasizing the overall program, the macro decisions, and the course-setting issues, and taking part in political consultation and discussion of high-level and important matters. Practice proved that only by upholding economic construction as the core, emphasizing important matters, and discussing major political issues can the CPPCC succeed in carrying out its political consultative and democratic supervisory functions and fulfill its role in developing a socialism with Chinese characteristics.

Two, insist that consultation comes before decision and supervision comes during implementation and make every effort to prevent political consultation and democratic supervision from turning into after-the-fact reporting and mere formality. In recent years, all major policies and guiding principles drawn up by the Jilin Provincial Party Committee and the provincial government and all important measures concerning the people's welfare adopted by the party and government departments had generally been discussed by this committee, and the committee members had a chance to express their opinions and give their suggestions, before they were introduced. This process makes decision-making democratic and scientific and prevents or reduces errors in decision-making and in implementation. It reflects the interests and the demands of all parties and closely links the government with the masses. It gives full expression to democracy and strengthens the socialist democratic political construction.

Three, insist on in-depth investigation and active consultation and try our best to become informed supervisor. Investigation and study are the premise and the basic requirement if the CPPCC is to fulfill its functions properly. Only by working hard on our investigations and studies can we make sense of our consultation and give ground to our supervision, and only then can we continuously improve the standard of our political participation and discussions. In our studies, we must insist that the committee members play the lead role and that few should take part in the studies but most should take part in the debates. We must integrate necessity and possibility, investigation and proof. In this way, we can broaden the participation in the studies and draw on collective wisdom and absorb more useful ideas and give play to the committee members as a group.

Four, insist on seizing the work initiative. The CPPCC is a united front organization and is a functional political

consultation and democratic supervision organ. In practice, we must be more driven, more fired up, to actively promote the normalization and institutionalization of political consultation and democratic supervision. The most important thing about CPPCC work is initiative. With initiative, we can do a good job and give play to our political consultative role.

Five, insist that the CPPCC organs "set the stage" and the CPPCC members and the democratic parties join "the chorus" and strive to provide good service. The CPPCC organs not only must provide good service during the plenary sessions and standing committee meetings, but must help the committee members take part in CPPCC activities and work on a regular basis, so that the committee members can give full play to their enthusiasm and creativity to increase the CPPCC's drawing power and fighting capacity and fulfill the CPPCC's political, economic, and social functions.

In China's patriotic united front and even in the country's political life, the CPPCC serves three purposes: It is a multiparty cooperation and political consultation organization under the CPC's leadership; it serves as a channel for carrying forward socialist democracy, and it serves as an important arena where the democratic parties, mass organizations, people of all nationalities and all walks can unite and cooperate and take part in government and discuss politics. In the last five years, we have abide by the above-described "five insists" and have revolved around the core and have done what we are supposed to do, and therefore we have served our purposes well.

We must grasp the theme of political consultation work and concentrate on two areas: unity and democracy. Unity and democracy are the main theme of the CPPCC's work. The CPPCC is a united front organization. The essence of the united front is to unite the majority and to reinforce and develop the broadest possible alliance. Therefore, hoisting the banner of unity has historically been one of the main goals of the CPPCC, and given that we have established a basic political system, practicing democracy is the essence and the unique characteristic of the basic function of the CPPCC. When the CPPCC makes unity and democracy its main purpose, it not only gives expression to the essence and characteristic of the united front organization but also gives play to its own political superiority.

Over the years, we have followed the party's basic line and have made developing Jilin, vitalizing Jilin, uniting all forces that can be united, mobilizing all positive factors, and developing the broadest patriotic united front our important duty. We have started out from practicality and launched all sorts of educational activities to help the committee members become more ideologically and politically aware, so that they inspire one other and benefit from one another, and we have also enhanced our unity and friendship by sharing the same political base. We have forged intimate relations with non-CPC personages by visiting them, keeping in touch with them, holding heart-to-heart talks, sincerely helping

them solve problems, and doing solid work. We have strengthened our ties with people in Taiwan, Hong Kong, Macao, and overseas and have developed and expanded the broad alliance outside of Mainland China.

Historically, the CPPCC has been the main channel for developing democracy and forging ties with representatives from all circles. In recent years, on the premise of upholding the four basic principles, we have strived to create an atmosphere of unity, democracy, and harmony. In the meetings and in all work, we have encouraged the component units and committee members to express their views and make criticisms and proposals as equals of one another. Within the scope permitted by the Constitution, we have specifically protected the CPPCC members' freedom to express dissenting opinions and the right to make criticisms.

In our actual work, this committee has always insisted on the democratic process. Prior to discussing major issues, people who will be participating in the consultation are given a chance to familiarize themselves with the situation and materials, so that they are well-prepared. During the discussions, everyone is encouraged to speak up and express his opinion. After the discussions, their ideas and suggestions are truthfully recorded and compiled and sent to the party and government organs or relevant departments, and their feedbacks are returned to the committee members. We have insisted that similar democratic procedures be used in all aspects of the CPPCC's work. The CPPCC must first be the model of democratic consultation and the model for unity and cooperation.

CPPCC's actual practice demonstrates that unity and democracy always go together. Broad-based unity must be build on the foundation of broad-based democracy. Therefore, when we launch various activities, we must pay attention to integrating unity and democracy. The focal point is to resolve conflicts, smooth relations, reinforce and develop a stable and unified political situation, and create a fine social environment for reform and opening up and for developing the economy. Clearly, there is much the CPPCC can accomplish; we have the potential and the upper hand.

The CPPCC organs must adapt to new developments and continuously improve their ideologies and workstyle. The 13th National Party Congress's political report pointed out that "the CPPCC must strengthen its own organization and gradually normalize the political consultation and democratic supervision of the state's major policies and guiding principles and important matters that concern the people's lives." As urged by the 13th National Party Congress, and with the support of the Jilin Provincial Party Committee and provincial government, we can say that we have continuously improved the overall quality of this committee's political participation and discussion, and we have become a better organization in the process. But we still lag behind the situation and still fall short of our historical mission. A sense of urgency has constantly prompted us to steadfastly seek to strengthen and improve ourselves.

REGIONAL

Organization plays an important role in our effort to strengthen ourselves. If we are poorly organized, we will lose our power to draw the people and attract people, and we will not be able to accomplish or complete our tasks, and naturally there will be no successful political consultation and democratic supervision to speak of. The crux of good organization lies in our ideology and workstyle. Ideological construction mainly refers to raising the people's ideological and political standards. To deal with the ideological problems among the contingent of CPPCC cadres, one must study Marxism, Leninism, and Mao Zedong Thought and the party's basic line and general and specific policies and have a thorough understanding of the importance and necessity of the CPPCC's work under the new situation, so as to eliminate one's sense of inferiority and enhance one's sense of mission, self-respect, dignity, and self-improvement and develop the professional spirit and devotion to CPPCC work. A person without spirit makes no progress; an organization without spirit accomplishes nothing. In recent years, we have displayed initiative, enthusiasm, and creativity and have used concrete results to gain notice and support and to open up new prospects for political consultation work. According to the nature, characteristics, and demands of united front work, the CPPCC cadres must firmly establish in the depths of their minds the concept of CPC leadership, the concept of a united front, the concept of democratic consultation, the concept of multiparty cooperation, the concept of making friends, and the concept of serving the committee members. In order to achieve this goal, we have for many years been meticulous, strict, and relentless.

To accomplish CPPCC's tasks, we ask the CPPCC cadres to carry forward the fine tradition and workstyle of the united front. Comrade Zhou Enlai had laid down six rules for the united front cadres: "Take a firm stand, have a sincere attitude, have the spirit to learn, work diligently, lead a simple and frugal life, and have a high level of political consciousness." Comrade Deng Xiaoping asked that the united front cadres have "democratic spirit, immense revolutionary zeal, cordial attitude, enthusiasm for work, simple and frugal workstyle, and the air of a statesman." Comrade Deng Yingchao summed up the united front's fine tradition and workstyle as "political consultation, democratic supervision, cooperation, friendship, and self-education." We should abide by these standards diligently and work hard. When it comes to ideological standard and workstyle, we cannot demand less from comrades who do political consultation work; rather, we should demand more, and we cannot be lenient but should be more strict.

From the standpoint of the breadth and the depth of social changes brought by reform and opening up, it has been a new round of revolution. This revolution inevitably has made more stringent demands on the CPPCC itself. As the situation develops and changes, this committee will embrace the revolutionary spirit and continuously improve itself, diligently perform its functions,

and strive to meet the needs of economic construction. Time does not stand still, and the CPPCC must forge ahead. Sticking to old conventions and following the beaten path will only stifle our work. Political consultation is like any other work—those who have liberated ideas and dare to reform and make changes will succeed; those who succeed and create will contribute to the development of the socialism with Chinese characteristics.

Dear committee members,

The Sixth Jilin Provincial CPPCC Committee has completed its historical mission. Even more important and more glorious tasks will fall on the shoulders of the Seventh Provincial CPPCC Committee. The 14th National Party Congress has asked even more of the CPPCC, and the development and perfection of the market economy too will require that the CPPCC keep up with the times. It is our belief that under the leadership of the Jilin Provincial Party Committee and under Comrade Deng Xiaoping's theoretical guidance on developing a socialism with Chinese characteristics, the new session of the CPPCC committee will achieve even greater success in carrying out its political consultation functions and in strengthening itself, and it will make even more contributions.

Today, the most important and most urgent task before the party and the people of all nationalities in this country is to adhere to the gist of the 14th National Party Congress and further liberate our thinking, seize every opportunity, accelerate the pace of reform and opening up and the pace of modernization, and fight for even greater victory in our socialist undertakings with Chinese characteristics. It is hoped that the new session of the CPPCC committee will seize the opportunity, work hard to study and grasp Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics, steadfastly carry out the party's basic line, uphold and perfect the system of multiparty cooperation and political consultation under the CPC's leadership, uphold the general principle of "long-term coexistence, mutual supervision, utter devotion, and sharing of honor and disgrace," reinforce and develop the broadest patriotic united front, protect and develop the political situation of stability and unity, and guarantee the smooth success of economic construction and reform and opening up. We must liberate our thinkings, raise our spirits, strengthen our own reform and construction, and whether we are dealing with department installation and personnel assignments or with the substance and format of our activities. Even in our work method, we must strive to meet the needs of economic construction and fulfill our political consultation and democratic supervision functions even better, so as to contribute even more to the acceleration of Jilin's reform and opening up and its economic construction, to strengthening the development of our socialist democracy, legislative system, and spiritual civilization, and to promoting society's all-out prosperity and progress.

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